

## CONCURRENCE IN SENATE AMENDMENTS

AB 2424 (Blanca Rubio)

As Amended June 30, 2022

Majority vote

**SUMMARY**

Amends the Credit Services Act (Act) to impose new requirements and restrictions on credit services organizations (CSOs).

**Senate Amendments**

- 1) Reestablish the Department of Justice (DOJ) as the enforcing authority instead of the Department of Financial Protection and Innovation (DFPI).
- 2) Remove statutory penalties that may be imposed on a CSO that willfully and knowingly violates the act.
- 3) Modify the required contract disclosure to include information appearing on a consumer's credit report that the CSO will seek a reasonable reinvestigation of, as specified, rather than the information the CSO will seek to delete or modify and a description of, and the price for, each felt ion or modification.
- 4) Clarify that the obtaining of a consumer's credit report and the performance of other services necessary to determine the needs of a consumer for a reinvestigation of any accounts will not constitute services of a CSO for which a specified contract is required if that activity is undertaken with the consumer's prior consent.
- 5) Make other technical or clarifying changes.

**COMMENTS**

Credit repair companies, also referred to as CSOs, offer to improve a consumer's credit profile in exchange for a fee. In 2016 the federal Consumer Financial Protection Bureau (CFPB) issued a consumer advisory, which was updated in December 2019, related to credit repair companies. The advisory warns consumers that credit repair companies "developed creative marketing tactics to target you. Sometimes this marketing includes confusing and misleading messaging aimed at taking advantage when you're just trying to get your financial life back on track." The advisory states that credit repair companies often charge high fees for services that consumers can often perform themselves, and some companies make false or misleading statements about the services they offer.

The CFPB has also taken enforcement actions against credit repair companies and entities supporting credit repair companies for violations of federal law, including against a number of California-based companies. The CFPB actions are not limited to fines, but also include shutting companies down and banning them from providing any credit repair services.

This bill would impose a number of new requirements on CSOs and strengthen oversight over their activities. This bill aims to benefit consumers by adding more guardrails to CSO practices.

**According to the Author**

"Under current law, disclosures and descriptions of services to be rendered by a Credit Repair Organization are insufficient for the modern marketplace. Too many consumers in California are purchasing an opaque service without truly understanding the impact, or lack thereof, that the service will have on their credit scores. AB 2424 will bring much needed disclosure and transparency to the credit repair industry. Federal and State regulators continue to find that [CSOs] are overcharging consumers and not providing added value."

**Arguments in Support**

The California Association of Collectors (CAC), who is co-sponsoring this measure with the Financial Counseling Association of America, writes:

"Assembly Bill 2424 (Rubio) will update and modernize the Credit Services Act of 1984 by expanding consumer protections when contracting with a credit service organization and significantly enhancing the transparency and disclosure of the services being purchased, the intended results and the cost."

**Arguments in Opposition**

None. Amendments taken in the Senate removed opposition.

**FISCAL COMMENTS**

According to Senate Appropriations Committee:

- 1) DOJ: The Department of Justice (DOJ) reports costs of \$311,000 in Fiscal Year (FY) 2023-24 and \$546,000 annually thereafter (Special Fund - Unfair Competition Law Fund).
- 2) DFPI: The Department of Financial Protection and Innovation (DFPI) reports minor and absorbable costs to update policies (Financial Protection Fund).
- 3) Judicial Branch: Unknown, potentially significant cost pressures due to increased court workload to adjudicate actions that are filed as a result of this measure (Special Fund – Trial Court Trust Fund, General Fund).

**VOTES:****ASM BANKING AND FINANCE: 9-0-3**

**YES:** Grayson, Chen, Bauer-Kahan, Cervantes, Mike Fong, Gabriel, Cristina Garcia, Petrie-Norris, Stone

**ABS, ABST OR NV:** Choi, Nguyen, Wicks

**ASM PRIVACY AND CONSUMER PROTECTION: 10-0-1**

**YES:** Gabriel, Kiley, Bauer-Kahan, Bennett, Berman, Cunningham, Mike Fong, Irwin, Valladares, Wilson

**ABS, ABST OR NV:** Wicks

**ASM APPROPRIATIONS: 14-0-2**

**YES:** Holden, Bigelow, Bryan, Calderon, Carrillo, Davies, Mike Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Wilson

**ABS, ABST OR NV:** Megan Dahle, Fong

**ASSEMBLY FLOOR: 71-0-7**

**YES:** Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Bigelow, Bloom, Boerner Horvath, Mia Bonta, Bryan, Calderon, Carrillo, Cervantes, Chen, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Mike Fong, Friedman, Gabriel, Cristina Garcia, Eduardo Garcia, Gipson, Gray, Grayson, Haney, Holden, Irwin, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wilson, Wood, Rendon

**ABS, ABST OR NV:** Berman, Choi, Fong, Gallagher, O'Donnell, Luz Rivas, Seyarto

**SENATE FLOOR: 40-0-0**

**YES:** Allen, Archuleta, Atkins, Bates, Becker, Borgeas, Bradford, Caballero, Cortese, Dahle, Dodd, Durazo, Eggman, Glazer, Gonzalez, Grove, Hertzberg, Hueso, Hurtado, Jones, Kamlager, Laird, Leyva, Limón, McGuire, Melendez, Min, Newman, Nielsen, Ochoa Bogh, Pan, Portantino, Roth, Rubio, Skinner, Stern, Umberg, Wieckowski, Wiener, Wilk

**UPDATED**

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