

May 18, 2020

The Honorable Monique Limon
California Stat Assembly
State Capitol, Room 6031
Sacramento, CA 95814

**SUBJECT: AB 2501 (LIMON) COVID-19: HOMEOWNER, TENANT AND CONSUMER RELIEF
HEARING SCHEDULED – MAY 19, 2020
OPPOSE – AS AMENDED MAY 11, 2020 – JOB KILLER**

Dear Assembly Member Limon:

The California Chamber of Commerce must respectfully **OPPOSE** your **AB 2501**, which has been labeled as a **JOB KILLER**. This bill imposes significant new obligations on financial services businesses, that will limit the financial opportunities for Californians, further harming the housing market, and creating job loss. Specifically, the bill requires financial institutions to carry homeowner loans for a year or more without payment and without assessing fines or penalties, prohibits repossession of mobile homes or motor vehicles for non-payment and without assessing fines and penalties, and places onerous restrictions on deferred deposit loans. The provisions of the bill are unprecedented and will restrict Californians' ability to access credit now and in the future.

No doubt, these are extraordinary times. As the Department of Finance recently noted, *"the widespread economic interruption caused by this global pandemic is unprecedented in modern history."* It is important to note that consumers are not the only casualties of this pandemic – with very few exceptions, most industries, and businesses large and small and their employees, have been impacted by this crisis. **AB 2501** shifts a significant portion of the costs of this pandemic to the private sector. As we have repeatedly stated, the private sector cannot be the safety net for this crisis. That is the role of government. While we will contribute to the recovery, the private sector cannot absorb the burdens proposed in **AB 2501** without it causing further harm, including loss of jobs.

AB 2501 Shifts the Cost of This Crisis onto the Private Sector, which will Limit Financial Opportunities in California and Create Job Loss.

AB 2501 requires financial institutions and financial service businesses to essentially carry mortgage and car payments for a least 180 days after the COVID-19 state of emergency ends. This could be years. For example, the emergencies declared on November 8, 2018 and October 27, 2019 due to wildfires and extreme weather conditions in Ventura County and other counties remain in effect today, long after the fire season has ended. On December 23, 2019, Governor Newsom terminated more than 70 ongoing states of emergency that had been declared at various times over the last decade, from January 27, 2011 to November 30, 2018. There are good reasons for states of emergency to remain in effect after initial dangers have ended. Federal relief directly correlated with the proclamation of a state of emergency can be necessary to aid in a state's economic recovery even after the immediate dangers of the emergency have subsided. They can ensure anti-price gouging laws can be enforced or provide streamlined unemployment insurance application procedures to help folks get relief sooner. (See, e.g., Governor's Exec. Order N-22-19 (2019) [relying on Gov. Code, § 8571's emergency authority].) It is very likely that the state of emergency for COVID-19 will persist long after the shelter-in-place orders are lifted and businesses resume operation.

Even when the 180 days expires, **AB 2501** still limits the ability for these institutions to recover any loss payments from the consumer.

Requiring these institutions to potentially go years without receiving payment is a significant burden that will negatively impact financial opportunities for Californians. Given the financial risk this proposal creates for such institutions, there is no question that the institutions will limit the mortgage and auto loans it offers. There will likely be stricter criteria to qualify, or, higher rates to offset the potential loss these institutions could suffer under **AB 2501**. This limitation will have a negative impact on the housing market, further exacerbating the housing crisis and creating job loss in the housing industry. It will also unquestionably limit car loans, especially for those with problematic credit history, and will harm both consumers and workers in the auto industry.

Financial Institutions are Already Assisting Consumers.

AB 2501 is also largely unnecessary. California and the federal government already heavily regulate lenders in the sectors covered by the bill, and each must meet scrutiny regarding their lending practices and asset management. Those systems should be allowed to work as envisioned. The financial lending industries targeted in the bill gain no benefit from not working with customers who have been financially impacted by the economic fallout of COVID-19. Most have already taken steps to work with customers to tailor forbearance and other programs that meet each customer's individual, demonstrated needs. Mortgage and auto finance lenders gain no benefit in repossessing cars and homes with no market for resale. Deferred deposit lenders hold no collateral and derive no benefit from taking draconian measures that ensure they will never be repaid from borrowers.

At a time when consumers need more financial options, not fewer, **AB 2501** will limit those opportunities and further harm our economic recovery.

For these reasons, we are **OPPOSED** to your **AB 2501** as a **JOB KILLER**.

Sincerely,



Valerie Nera
Policy Advocate

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