



## News

### Vaishali Rao Discusses Potential Business Impacts of a New "Mini-CFPB" Agency in California

September 10, 2020

Hinshaw attorney Vaishali Rao was quoted in *Law360* and *Bloomberg* about the significance of California legislation—that California Governor Gavin Newsom is expected to sign into law—that would revamp the state's current financial services watchdog, known as the Department of Business Oversight, into the Department of Financial Protection and Innovation (DFPI).

On DFPI's expanded UDAAP 'abusive conduct' enforcement authority:

"When companies are deciding what to do and what not to do, they're usually taking the conservative approach. If it's going to be considered unfair or deceptive, it's probably going to also be considered abusive, and they're not going to do it."

On impact of DFPI deciding to regulate small business lenders under UDAAP:

"Lenders will need to start thinking about small businesses the way they would an ordinary consumer, without the presumption of sophistication."

On whether UDAAP authority in financial services will see a shift from the state AG's office to DFPI:

This remains to be seen, as will whether the regulator interprets UDAAP differently than the AG.

On whether DFPI could serve as a model for other states:

Much will depend on the outcome of the upcoming presidential election. A Joe Biden administration could diminish the perception of a federal regulatory vacuum.

"States are facing a lot of crises right now, and as much as they may feel like this is a priority, I don't think many are going to have funding to [replicate the DFPI model]."

"[However] there is flexibility within the states even right now to ramp up. If Trump wins, I see more things like this mini-CFPB in California happening. I don't think it'll happen everywhere, but I think it'll happen in probably more places, and I see more enforcement happening on AG side."

#### Attorneys

Vaishali S. Rao

#### Service Areas

Consumer Financial Services  
Regulatory and Compliance  
Counseling



On the timing of the DFPI revamp:

"This is a great time [for financial services providers] to test, test, test your systems so that you know, for example, if you are having disparate outcomes on repayment plans that you're offering to your consumers. Because when [the DFPI] does get formed, and when there is attention on particular companies' choices and practices, that's what you'll need to be able to say you've done right."

"A lot of fintech companies may not be used to that kind of rigor, which banks and other kinds of lenders or servicers have had to go through. Folks are going to have to invest more in compliance now for sure."

"[California's 'Mini-CFPB' Law May Extend to Small Business Loans](#)" was published by *Bloomberg*, September 2, 2020.

"[Calif. Could Soon Create 'Mini-CFPB': 5 Things To Know](#)" was published by *Law360*, September 8, 2020.