Consumer Finance Monitor (Season 4, Episode 17): Recent Developments at the California Department of Financial Protection and Consumer Innovation: A Conversation with DFPI Commissioner Manny Alvarez

Speakers: Tony Kaye, Dan McKenna, Commissioner Manny Alvarez

Tony Kaye:

Welcome to the Consumer Finance Monitor podcast. On this podcast, we explore important new developments in the world of consumer financial services and what they mean for your business, your customers, and the industry. I'm your host today, Tony Kaye, a litigation partner in Ballard Spahr's Consumer Financial Services Group, and I'll be moderating today's program. For those of you who want even more information, don't forget about our blog, consumerfinancemonitor.com. We've hosted the blog since 2011, so there's a lot of relevant industry content there. We also regularly host webinars on subjects of interest to those in the industry. So to subscribe to our blog or to get on the list for our webinars, visit us at ballardspahr.com. If you like our podcast, let us know. Leave us a review on Apple Podcasts, Google or wherever you get your podcasts.

Tony Kaye:

Today, I'm joined by my colleague Dan McKenna, who's the practice leader of Ballard Spahr's Consumer Financial Services Litigation Group, and by our very special guest, Manny Alvarez, who is the commissioner of the recently rebranded California Department of Financial Protection and Innovation, known as the DFPI and also as the nation's first mini CFPB. Manny's previous government service includes serving as an enforcement attorney for the CFPB and as a deputy attorney general in the Consumer Law Section of the California Department of Justice.

Tony Kaye:

Today, we'll be talking with Manny about a variety of topics, including a stewardship of the DFPI, enforcement priorities of the DFPI and the delicate balance between protecting consumers of financial products and fostering innovation. Welcome Manny and Dan, and thanks for being here today.

Manny Alvarez:

Thanks for having me.

Tony Kaye:

You too. It's a real pleasure.

Dan McKenna:

Thank you, Tony. And Manny, I'm excited to have an opportunity to sit down and talk with you. It's been a long time. And as I'm doing it, I'm doing it from my home office with my four kids also all at home and not in school, and my wife who's working from home, because we're dealing with this sort of crazy situation of the pandemic, and trying to navigate and balance work and life all in the same place.

Dan McKenna:

So I'm going to start if you don't mind, Manny. I'm just really curious as to how you and others at the DFPI have been impacted by the pandemic, and how it's impacted both your work at the DFPI and the enforcement processes that DFPI has been engaging in.

Manny Alvarez:

I appreciate the softball question, Dan. I'm glad we're starting with the easy ones. But obviously, the pandemic has affected the way the department has operated in some ways for the better, and obviously in some ways has created challenges in a lot of ways. I think in the earliest days of the pandemic, there was, of course, natural interruptions. The department, it has about 700 give or take full-time employees at the moment. Actually there might be closer to 800 right now. But we have collared 800 employees over four offices up and down the state of California and when the pandemic hit, that was a fair number of people that stopped going into the office all of a sudden. And so it took, I think, a number of weeks and maybe even months for us as an organization just to get our sea legs underneath us and to understand how best to stay aligned in terms of the day-to-day work that we needed to accomplish, and how best to communicate in this kind of environment where everyone is dispersed.

Manny Alvarez:

Here's some positive effects that I'm happy to highlight. One of the solutions that we identified early on, was a virtual all-hands events. And perhaps this is surprising, I don't know, but the department did not previously have any kind of recurring all-hands event. And that is something that I'm actually used to from prior organizations. So we started that last April. Initially, we started doing monthly virtual all-hands meetings and now we do every other month, because it's actually fairly costly to produce every month.

Manny Alvarez:

And I think it's been really healthy for staff to have that opportunity to check in with department leadership to hear about all of the good work that's happening across the department, to share successes, to share pain points and use it as an opportunity to problem-solve together. So I'm actually really happy of how the department has used technology to be able to actually bring us closer together, even though we're not all reporting to an office right now.

Manny Alvarez:

And look, in terms of the day-to-day work, of course, we have a sizable supervision team that typically is out in the field going into institutions and examining them. They of course haven't been able to do that. Our team of examiners have not, for the most part, been able to physically go into institutions to examine them. But their work has continued. They've been able to proceed with their regularly scheduled examinations. There, of course, have been some impacts to examination cycles and schedules. But for the most part, they've managed to forge ahead with their work.

Manny Alvarez:

The last thing I would say, I guess, in terms of how the pandemic has affected our work, I think, I hope it is forcing us to think a little more critically about how we manage our workforce, and it forces us to articulate fairly clearly our objectives and to ensure constant alignment around our objectives and help to ensure that we're all rowing in the same direction.

Tony Kaye:

Hey, Manny. So in terms of staffing, you mentioned that you are closer to 800 now. And when we talked with Bret Ladine, I believe that's how you pronounce his name, back in the fall, he had indicated that the DFPI would be hiring 90 to 100 more people. How far along in the process of that hiring are you? Is it done or?

Manny Alvarez:

No, far from it. We are still very much in the early days of that hiring process. So as part of the department revamp and the accompanying budget change proposal that was authorized, the department will be hiring, call it, 90 new employees over the course of a three-year period. We are still very much in the early days of year one. We do now have a senior deputy commissioner over the newly created division of consumer financial protection, that is Suzanne Martindale. And we are, I would say, in the later stages of identifying the person who will lead the new office of technology innovation.

Manny Alvarez:

We're still very much in the early stages of hiring, and that's primarily because we thought it was important. I actually thought it was important to take our time with identifying this initial group of leaders that are going to help us scale up the rest of the department. I think hiring will certainly accelerate toward the later part of this year. And we have an internal goal of, I think, 35 to 38 new hires by the end of the year, but most of that will be back-loaded toward the end of this year.

Manny Alvarez:

My view is operationally, it is far better, I think, to go slow initially, really focus on locking in the right leaders at the top of the house and then let them do their job. Let them do what they need to do to build out and staff up their teams.

Tony Kaye:

So how do you envision the division in that hiring for this year between the supervisory personnel, enforcement personnel, and other types of personnel?

Manny Alvarez:

I'm not going to be able to recall the granular specifics of the hiring plan, but I would say, it'll be a fairly balanced hiring approach. Right? So to the extent that we bring on new enforcement attorneys, those new attorneys will come into the enforcement team as it currently exists. I think it's fair to say that many of the new hires, perhaps most of the new hires will likely be nonenforcement attorneys and will primarily be staff members who will sit within the new division of consumer financial protection. And they will consist of, you name it, examination staff, market monitoring and research type analysts, and a smattering of other folks.

Dan McKenna:

Manny, the world is rightly focused on increasing diversity and inclusion and equity in its hiring. I think many industries have been focused in that for a considerable time, including ours. But the world itself is taking a really sharper look at that right now for very good reason. I'm curious as to what DFPI is doing there, and then also what efforts DFPI can be taking to assist businesses that it regulates in those efforts.

Manny Alvarez:

I'm glad you asked the question, Dan. It's one that's actually really important to me personally. And it's something that I think about every day as we're building up a team. So I'll start with what the department is doing operationally to overlay this kind of diversity, equity, and inclusion lens over our day-to-day hiring practices. So we, of course, like many other organizations are taking a really hard look at our recruiting and hiring practices. And it turns out that there is room for opportunity, I'm happy to report. There is room for opportunity in terms of the places that we source for excellent candidates. So we are taking this as an opportunity to broaden our network for hiring purposes. We're going beyond the usual kind of CalHR level funnels, and more proactively seeking out diverse candidates for many of our roles. And I'm happy to say that I think we've done a pretty good job of diversifying those areas that we typically look for when recruiting candidates.

Manny Alvarez:

Second thing that I would highlight, and this is a relatively new practice that we have started at the department. In light of the George Floyd murder last year, the department wanted to give staff space to have very difficult conversations internally. And the department didn't really have a great way to give voice and to give space for that conversation. So we did a couple of things. We created the first ever employee resource group at the department and it's the department's... So this is an employee resource group that is led by some of the Black employees at the department. And they meet periodically to discuss some of the challenges that are happening in the world outside the department, but also to really compare notes and talk about some of the historical challenges they've faced as employees at the department.

Manny Alvarez:

I think that's been a really productive space for employees to identify issues. And I feel comfortable in bringing them to myself and to other leaders. So that's been a really healthy practice. We've also held a series of virtual town hall conversations to talk about any number of topics including the Black Lives Matter movement, which frankly has been uncomfortable for at least some of our employees. And I know that because I get a lot of feedback. Sometimes it's attributed to someone, but oftentimes it's anonymous feedback. And as one might expect, there's a variety of thought on the topic. But on balance, I am glad that we've given these conversations space and opportunity to take shape.

Manny Alvarez:

The last thing I'll say, you asked about efforts that the department has undertaken to engage our licensees and those businesses that we regulate. Couple of months ago, the department did issue a couple of survey requests to banks and to credit unions. And we asked the institutions to provide high-level data on the diversity of their boards of directors and C-suites. And I think we got a close to 50% response rate, which of course it's not great, but it's better than zero. And we're in the process of aggregating all of that data, rolling it up. We're actually going to be packaging it up, pulling it together in a generalized form. Again, it's going to be data that's rolled up.

Manny Alvarez:

Oftentimes, the first step in addressing these conversations is measuring where you are. And so that's what we have done with respect to our state licensed banks and credit unions. And I expect that we will be seeing more on that in the coming weeks later in April.

Dan McKenna:

Manny, the one thing I was going to ask, one of the many benefits of diversity, equity, and inclusion, is allowing businesses, and I assume regulatory entities, to see things from different perspectives, to have a different backdrop from which to see things. I regularly see the value of that, and our business sees the value of that, and my clients see the value of it. I assume you do too, but it feels like another softball.

Manny Alvarez:

Look, I'm actually glad you broach that. Let me say this about kind of the... There's so many things to be said about the business case for diversity, equity, and inclusion. I will simply say this. I think financial services would do well and must do better going forward about diversifying its leaders and its employees. Because I think it's necessary for the durability and the stability of the industry. I think there tends to be a lot of deep-rooted skepticism about financial services, and it oftentimes comes from community advocates. And many times it is well-founded, I have to say. Many times I think that deep-rooted skepticism is well-founded. We know that they are historical. There's a lot of history around how financial services has worked to kind of systematically serve populations to the exclusion of people of color, frankly. So I think financial services would do well to focus on diversity, equity, and inclusion for the simple reason that it serves... I think it helps the durability and the stability of the industry.

Manny Alvarez:

Stated differently, if the people who are building the products and services for me don't look like me, I think there's a natural inclination to distrust what is being offered me. And I think that is unfortunate, and that is wrong, and that needs to be addressed.

Dan McKenna:

I likewise think that as industry is creating products and doing things, for larger communities, you need the base to include a broader dynamic, a broader range of ideas, a broader range of experiences, so that you can better appreciate how your message is going to be received.

Dan McKenna:

It matters less what you're trying to deliver, and more what people perceive you are trying to deliver. And you can have that benefit by further diversifying your team. So I'm happy to hear, Manny, you share similar thoughts. Not surprised, of course, but happy to hear you offer them.

Tony Kaye:

Thank you, gentlemen. I totally agree. On a topic related to hiring, where do the DFPI's operating funds come from? As we've seen with the CFPB largely self-funds through civil money penalties that it's obtained against members of the industry by enforcement actions. Should we expect the same from the DFPI?

Manny Alvarez:

It's a great question. The short answer is, it can come into play, but there's another lever with respect to the funding mechanism. And I'm glad you asked, because this is an important point, I think, to unpack. Last year when we were going through the process of discussing departmental revamp, the topic of the department's funding mechanism was obviously front and center. And so, yes, it is true that future civil money penalties, for example, might be used for some of the department's future operating expenses.

Manny Alvarez:

However, and this is important, early on, some of the feedback that folks raised was, well, shouldn't there be another funding mechanism so that you don't have any kind of misincentive to simply pile up the civil money penalties, so that you can reinvest in the department's operations, hire more people, et cetera, et cetera? And so that's the reason why the other significant or the more significant funding mechanism is actually going to be a registration payment. Right? So part of what the department is going to be doing going forward, is identifying consumer financial products, product and service providers that were not previously regulated, and the department may in the future, through rulemaking, define what products or what services or what segments those are, and create a registration scheme. Right? Which is distinct from a licensing scheme. It'll be a little more lightweight.

Manny Alvarez:

But the purpose here is simply to know, hey, who is operating in this space? And let's at least understand who these companies are, and have them register with the department and there will be a sensible registration fee associated. And some sliding scale mechanism will apply. But it's that registration fee that will actually cover the department's operating expenses going forward.

Manny Alvarez:

Going back to the civil money penalties that may be available in the future. My personal view is, it certainly seems sensible if the department ever has such funds available in the future. There are any number of initiatives around consumer education, consumer engagement, that may be very worthwhile investments for the department to make and would very much be in line with the mission of the department.

Tony Kaye:

With respect to registration fees, where is the department in terms of being able to collect registration fees? Presumably, you need to have a rulemaking of some sort to establish the fees, what kind of revenue would you expect to generate?

Manny Alvarez:

Yeah. So the department has to go. We're in the early stages of the necessary rulemakings to set up the structure for the kind of registration fee scheme that we have in mind. In terms of the amount of revenue, I think, I don't have specifics in front of me. But basically enough to cover operating expenses is the view, right? So when we sketched this out, we had a view of how large the potential universe of previously unlicensed and unregulated companies might look like. And so if you take that as the theoretical denominator, you can then kind of amortize the cost of staff that it would take to run an oversight function. And that becomes the basis for registration fees.

Tony Kaye:

Thank you.

Dan McKenna:

Manny, you mentioned this rulemaking that's in the works. Is there any other rulemaking in the works that you can share with us?

Manny Alvarez:

Yes. And this is no great state secret. I assume the intrepid lawyers of Ballard Spahr are also aware of the separate bill that passed in California that was signed into law last year, which is a debt collection licensing law. So there will be a separate rulemaking packet that accompanies that law as well.

Dan McKenna:

And what about enforcement priorities? Any that you have over the next year that you can tell us about?

Manny Alvarez:

Well, what I can say is, I think the greatest specificity that I can offer up right now is that over the next year, we will continue to be hyperfocused and hypervigilant over what I call last dollar schemes. Basically, as we pull out of the economic dislocation that we currently find ourselves in, we're going to continue to focus on products or services that are vying for a consumer's last dollars and involve consumer harm. This is where consumer complaints become important. The department does have a consumer intake function, it's called the consumer services office. The complaints and data that comes into that office is collected into an internal database, and the rest of the department has visibility into what's coming in.

Manny Alvarez:

One of the, I think, original operating principles of the CFPB was, it was to be a data-driven agency. I very much believe and taken a data-driven approach as well. And so the consumer complaints that come in provide a fairly important basis for establishing enforcement priorities and focus.

Tony Kaye:

Can we infer from that that the DFPI is seeing a significant number of consumer complaints about last dollar lending?

Manny Alvarez:

It is fair to say that there surely has been a material increase in the number of consumer complaints overall. And it is also correct. It is also fair to say that many, perhaps most of the complaints are related to, "Hey, I was told that this person could or this product would solve the financial hardship that I'm experiencing as a result of COVID and it did not do that."

Tony Kaye:

Are there particular products or services that you're seeing at the focus on these complaints?

Manny Alvarez:

Yes, but it kind of runs the gamut. It's hard to say that we are seeing a lot of, for example, just to make something up. I couldn't tell you that, for example. 90% of complaints that receive are about fraudulent pet rock sales or anything like that. There's a fair degree of variety, unfortunately, and the type of product and the type of service that we see coming into consumer services organization.

Tony Kaye:

Are you planning to pull together a compendium of the complaints and break them down by category, like the CFPB has done over the years?

Manny Alvarez:

I have to tell you, we had not. No decisions have been made about that. But if that is your recommendation, I will have to take that under serious advisement.

Tony Kaye:

Yes, of course, it's our recommendation. Understanding where complaints are coming from gives us a chance to counsel our clients where they might need to focus their attention on compliance, and where they might expect to start seeing more in the way of litigation and enforcement actions.

Manny Alvarez:

That's interesting and useful to know. In all seriousness, I was being a little cheeky in my prior response, but perhaps I shouldn't be because that kind of tone doesn't translate well in audio.

Manny Alvarez:

But I will say, look, of course we've been asked the question many times, we've asked ourselves the question many times. We don't know yet if anything we're going to do... There are obviously weighty considerations on both sides of the ledger. And I think the perspective that you just shared is a useful one, because frankly, it's not one I had previously thought too much about.

Tony Kaye:

On this topic of enforcement priorities, do you have a sense for what the DFPI will view or is viewing as aggravating factors when it comes to assessing penalties?

Manny Alvarez:

I don't have a formal policy or rubric that I can share. I'm happy to provide my personal perspective here, which is perhaps not surprising. Look, aggravating factors ought to include things like recidivism, recklessness in the commission and scale of consumer harm.

Tony Kaye:

Okay, and what about mitigating factors?

Manny Alvarez:

Again, there's no department policy or rubric that I can share, but my personal view on mitigating factors would include something like good faith efforts to cure cooperation. I can say based on prior experience, right? So I've been both an enforcement attorney as well as an in-house corporate attorney. I have some dexterity looking across that line. Right? I surely remember what it was like as an enforcement attorney looking at things that I would surely consider aggravating factors, which would encompass some of the things I previously mentioned.

Manny Alvarez:

I also have a sense for what it means to be engaged to act in good faith and to really, really try. And I know that sometimes despite best efforts, things can go awry. But there are steps that companies can do and when things like that happen, right? And I think being proactive in identifying problems, being proactive and engaging with the regulator, all that good stuff, which... Believe me, I understand clients may have... Your clients and some of the companies that we regulate, there may be a good deal of trepidation and reaching out to a regulator proactively. But my honest view is that is oftentimes the best course.

Dan McKenna:

Manny, Tony asked a question before about information that might be available for businesses so that they can avoid running afoul of anything. One of the frustrations that I know a lot of businesses experienced with the CFPB, particularly early on, was this concept of regulating through enforcement actions and consent orders. What's the DFPI's take on that?

Manny Alvarez:

It's a great question. Again, I can't represent this as a department policy. Consider these my current views. Look, let me just say. I think robust enforcement is important. It's absolutely important because it can be powerful tool in sending a strong signal to industry that certain acts or practices will not be tolerated. So it can have from an enforcement perspective... Oh, excuse me. It can have a useful general deterrent effect. But it is only a tool. It's only one tool, and I do not believe that it should be the only tool ever used in the regulation of financial services for a lot of reasons. But not the least of which is enforcement is slow, and it's costly. I've never seen an enforcement action resolved quicker than 10 months on the inside. I can only imagine that it's costly for the company. It's also costly for the department.

Manny Alvarez:

And so it cannot be the only tool in the regulation of financial services. There are other more agile tools, I think, when you're talking about oversight, whether that be through supervision or regulation or other type of guidance. There are other tools that are sometimes more effective, because of their agility or their precision or what have you.

Tony Kaye:

Manny, are there any actions that you've taken while commissioner that you're particularly proud of with respect to helping consumers?

Manny Alvarez:

Well, there are a good number of actions that we've taken that I'm proud of, and a lot of the actions that we've taken aren't even public. So I have to be a little careful here. And also, many of the actions that have been announced publicly are not yet resolved. And obviously, I very much believe that the primary purpose of an enforcement action is kind of the truthful resolution of a matter. And so I don't want to imply a particular view on unresolved matters.

Manny Alvarez:

What I would say is, I'm very proud of efforts that the department has taken to protect limited English proficient consumers. I think the department has done a lot of good work, much of which isn't even visible to the public. But I think we've done a lot of good work there, which is important, right, in a state like California where there are so many-

Tony Kaye:

Yeah. Is there a particular program for limited English proficiency consumers that you can tell us about in that context?

Manny Alvarez:

Yeah. Our consumer services office actually has robust translation abilities. So we take consumer complaints in any language, and we have the ability to translate and respond accordingly. And that's something that we're actually really proud of. Another feature of our consumer services office intake function, which we're really proud of. And unfortunately, we don't have enough opportunities to highlight. We never ask about a consumer's immigration status, which again, is a really important feature when talking about California consumers. Because many times that's a reason that consumers are unwilling or afraid to come forward. And so those two. If I can brag again about our consumer services office, robust translation services into I don't know how many languages. And we never asked about immigration status.

Tony Kaye:

I think those are good. Those are really good programs and positions to be taking. Having litigated some immigration cases, I think that's in particular really important.

Tony Kaye:

So you joined what was the division of business organizations or the department of business organizations initially, and was that was during the Trump administration. But since then, the DBO has become the DFPI and Joseph Biden has become the president of the United States. How do you see the impact of, or what do you see as the impact of the new federal administration on the DFPI?

Manny Alvarez:

Impact on the DFPI, I think, obviously remains to be seen. I don't know that there will be that much of a material impact on our day-to-day to be completely frank. Look, at the staff level, whether that be on the supervisory front or the enforcement front, I think it's fair to say that we've always maintained good working relationships with our federal partners. Again, at the staff level. And that, I think, makes some sense because administrations change over, but there's usually a higher degree of consistency at the staff level. And so then probably not surprising to hear that.

Tony Kaye:

No, not at all.

Manny Alvarez:

Yeah. At the strategic level, sure I expect to have greater opportunities to partner with some of our federal partners, including, of course, the CFPB. Because I think under a Biden administration, there will probably be a greater appetite for that kind of proactive engagement with state partners. That is what I saw when I was with the CFPB under the Obama administration, and I have to imagine that there will be a similar inclination under the current administration.

Dan McKenna:

You mentioned collaborating with the CFPB. Where do you see the DFPI and CFPB collaborating or coordinating?

Manny Alvarez:

Well, information sharing, of course, is always a big one. Look, one specific area that I think is fair to flag, is student lending. It is difficult to address student lending as a state agency, given the myriad of federal preemption questions underlying some of those products and so I think that may be one example of a natural kind of area for partnership.

Tony Kaye:

So one area that we have not talked about today, and I'm sure there are others, is the financial innovation and technology office, which was created as part of the legislation turning the DBO into the DFPI. Can you explain first briefly what that departments or what that office, what its mission really is?

Manny Alvarez:

Happy to. The easiest objective that I can think of is, the Office of Financial Innovation should help the department keep its finger on the pulse of changes that are happening in the marketplace, so that we have more of a leading indicator as opposed to a lagging indicator about different types of innovation that's happening in the marketplace. And that should help us create a faster feedback loop and inform all the rest of our work. Right? from our examinations to how we think about enforcement to how we think about regulation packages.

Manny Alvarez:

That's kind of the simplest way I think about the function. It's a relationship building function. And obviously, the office will be charged with building and maintaining relationships with innovators. But that's not all. There are other important stakeholders with respect to the innovation conversation, which include consumer groups. They, of course, have views and perspectives on how innovation is interacting with communities of color.

Manny Alvarez:

There are also our incumbent licensees. They very much care about what innovation is doing in the marketplace. Either because they would like to be able to better take advantage of some of the changes that are happening, or because they want to be able to adapt to some of what they see happening in the marketplace. So that's actually an important item to flag, right? That the innovation conversation is broader than just one with Silicon Valley companies and VCs.

Tony Kaye:

So how do you distinguish this program from the regulatory sandboxes that other states have established?

Manny Alvarez:

First, I think it's important to level set what we mean by regulatory sandbox, because I think that term has been thrown around a fair amount, as has the term Fintech, frankly. In my view, both words mean everything and nothing at the same time. So what I would say is, I think when some people talk about a sandbox, I think what they have in mind is a kind of a priori pass safe harbor that allows companies to launch a product in the wild without repercussions for whatever term or period defined by the sandbox itself. That is not what we are doing here. Right? We are not looking to create any kind of a priori, safe harbors to give a pass to companies just kind of launch willy-nilly. I feel very strongly that quite the contrary when you're dealing with financial services, the stakes are so high. It only makes sense for companies to do their diligence before launching and making sure that they actually understand what they're getting themselves into.

Manny Alvarez:

What we are trying to do is, I think, different from that. We're trying to create a forum where, again, a faster feedback loop can be created. And so if I could identify just a quick example. So a couple of weeks ago, the department announced that we had entered into a series of MOUs with a number of earned wage access companies. I understand that the feedback has been varied. I think some people took the view that, "Hey, why did you do that? Didn't you just give those companies a pass?" And what I would say is, "No, we did not." The terms of the MOUs are very clear.

Manny Alvarez:

Those particular companies, obviously, will continue to offer their products and services. But we now oversee what they're doing, and they will be responsible for providing us with data and nothing about the terms of the MOUs prevent the department from taking any further action if and when warranted.

Manny Alvarez:

So I want to be clear that MOUs that we entered into with these companies, we think they strike the right balance by giving these companies some parameters within which they can continue to offer their products, but not without oversight, and certainly with no promise of any kind of a priori safe harbor.

Tony Kaye:

Did those start out as investigation matters or supervisory matters and then grow into an MOU? How could that have come about?

Manny Alvarez:

What I can say is that, those MOUs were, I would say, more the result of organic conversations between those companies and the department. And what's been interesting in terms of some of the other reactions that we've received about the MOUs. Right? So I talked a little bit about some of the negative feedback the department has received and we've considered.

Manny Alvarez:

There's also been a fair amount of positive feedback from what I consider to be unexpected places. Obviously, some people responded to the departments that, "Hey, this seems like a sensible way to approach that problem." Right? Where you had a series of companies offering products that just did not squarely fit within any of the department's existing laws. And some of the surprising feedback that we've started to receive, is from other companies that kind of fall in a similar category. Right? That are offering a product or service that doesn't exactly squarely fit within any of the existing laws that the department administers. And some of these companies have now come to the department and asked, "Hey, would there be any interest in doing something similar with us?" Because I think there is a recognition that the notion that any kind of product or service in California can continue to exist any kind of regulatory limbo. That notion, I think, is quickly fading. And so I think there is a general recognition that "Hey, why don't we reach out proactively again, work with the regulator, and see if we can come up with a sensible solution going forward?"

Tony Kaye:

All right. Thanks for unpacking that for us, Manny. And that's unfortunately all the time that we have.

Dan McKenna:

I don't have anything to add as other than to thank you for your time with us. And thank you for the work that you're doing in California and looking forward and hoping to see you do much more work at large in the country.

Manny Alvarez:

Appreciate the time and the opportunity you too, and thanks again.

Tony Kaye:

So I'd like to extend a big thanks to Manny Alvarez and Dan McKenna for joining the pod today. Make sure to visit our website wwwballardspahr.com, where you can subscribe to the show on Apple Podcasts, Google, Spotify on your favorite podcast platform. Don't forget to check out our blog, Consumer Finance Monitor for daily insights on the financial services industry. If you have any questions or suggestions for the show, please email podcast@ballardspahr.com. Stay tuned each Thursday for a new episode, and thank you for listening.