

AMENDED IN ASSEMBLY MAY 23, 2025

AMENDED IN ASSEMBLY MAY 6, 2025

AMENDED IN ASSEMBLY APRIL 21, 2025

AMENDED IN ASSEMBLY MARCH 28, 2025

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL

No. 801

Introduced by Assembly Member Bonta

**(Principal coauthors: Assembly Members Bryan, Elhawary, Gipson,
Jackson, McKinnor, Sharp-Collins, and Wilson)**

**(Principal coauthors: Senators Richardson, Smallwood-Cuevas, and
Weber Pierson)**

February 18, 2025

An act to add Division 27 (commencing with Section 120000) to the Financial Code, relating to financial institutions.

LEGISLATIVE COUNSEL’S DIGEST

AB 801, as amended, Bonta. Financial institutions: California Community Reinvestment Act.

Existing law establishes the Department of Financial Protection and Innovation, which is under the direction of the Commissioner of Financial Protection and Innovation. Existing law makes the department responsible for administering various laws relating to financial institutions, including banks and credit unions. Existing law, until January 1, 2030, establishes the Financial Empowerment Fund, and provides that moneys in the fund are continuously appropriated to the commissioner for allocation to fund financial education and financial

empowerment programs and services for at-risk populations in California, as specified.

This bill would establish the California Community Reinvestment Act, and would require a covered financial institution, as defined, to have a continuing and affirmative obligation to meet the financial services needs of the communities, including low- and moderate-income communities and communities of color, in which the covered financial institution conducts substantial business, as specified. The bill would require the commissioner to assess the record of each covered financial institution in satisfying this obligation no less than once every 3 years, as specified. After each assessment, the bill would require the commissioner to assign one of 5 possible ratings to describe how the covered financial institution is meeting its community financial services needs, and to prepare a specified written evaluation of the covered financial institution's record of performance. The bill would authorize the commissioner to consider this record of performance when considering an application for, among other things, the establishment of a branch or the relocation of a main office. The bill would also prohibit a covered financial institution with certain ratings from receiving state funds for deposit or being awarded a state contract to provide financial services.

This bill would also authorize the commissioner to conduct specified investigations into covered financial institutions for compliance with the act. The bill would also authorize the commissioner to examine, in consultation with state and federal regulators, covered financial institutions for their compliance with specified state and federal laws.

This bill would establish the Community Reinvestment Fund within the State Treasury, and would make moneys in the fund available, upon appropriation by the Legislature, to the commissioner for purposes of administering these provisions. The bill would authorize the commissioner to issue an administrative penalty of up to \$100,000 to a covered financial institution that regularly fails to meet its obligations under the act, and would require those penalties to be deposited in the fund.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares:

1 (a) The federal Community Reinvestment Act (federal CRA)
2 creates an affirmative obligation on the part of deposit-taking banks
3 to meet the credit needs of their communities, including low- and
4 moderate-income communities. The federal CRA has encouraged
5 banks to lend and invest billions of dollars in low- and
6 moderate-income communities in California. Administered at the
7 federal level, banking regulators and banks have established a
8 regulatory and institutional framework and infrastructure over
9 decades of implementation. Nevertheless, the federal CRA statute
10 and its implementation demonstrate significant limitations and
11 gaps in meeting community credit needs, cover a decreasing share
12 of financial service industry stakeholders, and remain subject to
13 loosening regulatory oversight at the federal level and diminished
14 commitment by covered banks. Under the current administration,
15 comments and actions by government officials and bank officers
16 suggest the potential for weakening federal CRA oversight and
17 implementation.

18 (b) Seven other states and the District of Columbia already have
19 put into place state and local versions of the federal CRA to extend
20 coverage of the CRA to new entities, and to provide for local
21 oversight and implementation.

22 (c) A state Community Reinvestment Act can direct private
23 capital to the Community of Altadena and other disaster-impacted
24 areas on an emergency basis to help residents, businesses, and
25 community institutions to remain or return in the short term, and
26 to ensure that financial institutions contribute to the economic
27 health of California communities in the long term.

28 (d) In California, the federal, state, and local governments
29 created segregation through redlining, zoning ordinances, school
30 and highway siting decisions, and discriminatory federal mortgage
31 policy. California's "sundown towns," like most of the suburbs of
32 the City of Los Angeles and the City and County of San Francisco,
33 prohibited African Americans from living in towns throughout the
34 state. The federal government financed many Whites-only restricted
35 neighborhoods throughout the state. The federal Home Owners'
36 Loan Corporation maps used in redlining described many
37 California neighborhoods in racially discriminatory terms.
38 Numerous neighborhoods around the state rezoned African
39 American neighborhoods for industrial use to keep out White
40 residents or adopted zoning ordinances to ban apartment buildings

1 to try to keep out African American residents. State agencies
2 demolished thriving African American neighborhoods in the name
3 of urban renewal, infrastructure development, and park
4 construction.

5 (e) The Task Force to Study and Develop Reparation Proposals
6 for African Americans recommended that the Legislature provide
7 compensation to redress the discriminatory harms eligible
8 individuals experience from other predatory housing industrial
9 complex issues, such as having to pay higher costs on insurance,
10 due to race, ethnicity, nationality, or other contributing factors.

11 SEC. 2. Division 27 (commencing with Section 120000) is
12 added to the Financial Code, to read:

13
14 DIVISION 27. CALIFORNIA COMMUNITY
15 REINVESTMENT ACT
16

17 120000. This division may be known and cited as the
18 “California Community Reinvestment Act.”

19 120002. For the purposes of this division, the following
20 definitions apply:

21 (a) “Commissioner” means the Commissioner of Financial
22 Protection and Innovation.

23 (b) “Covered financial institution” means all of the following
24 that are subject to the licensing laws of this state:

25 (1) A bank.

26 (2) A ~~credit union~~ *union with assets exceeding seventy-five*
27 *million dollars (\$75,000,000).*

28 (3) A residential mortgage lender that originated 200 or more
29 loans in the two most recent consecutive years.

30 (4) A money transmitter that sells or issues stored value, as
31 defined in Section 2003.

32 (c) “Fund” means the Community Reinvestment Fund, as
33 specified in subdivision (a) of Section 120028.

34 120004. (a) A covered financial institution shall have a
35 continuing and affirmative obligation to meet the financial services
36 needs of the communities, including low- and moderate-income
37 communities and communities of color, in which its offices,
38 branches, and other facilities are maintained and where it conducts
39 substantial business, consistent with the safe and sound operation

1 of the financial institution, and for credit unions, consistent with
2 its common bond.

3 (b) A covered financial institution that provides all or a majority
4 of its products and services via mobile and other digital channels
5 shall have a continuing and affirmative obligation to help meet the
6 financial services needs of a deposit-based, lending-based,
7 activities-based, or statewide assessment area, including
8 low-income and moderate-income neighborhoods and
9 neighborhoods of color, and areas where there is a lack of access
10 to safe and affordable banking and lending services, consistent
11 with the safe and sound operation of those financial institutions,
12 including credit unions, consistent with its common bond.

13 (c) By January 1, 2027, and every three years thereafter, the
14 commissioner, in collaboration with the Civil Rights Department,
15 shall conduct a disparity study that does both of the following:

16 (1) Identifies and delineates geographies in California exhibiting
17 significant disparities across consumer, borrower, and
18 neighborhood demographics with respect to access to financial
19 products or services and lending and investments by covered
20 financial institutions.

21 (2) Identifies financial policies, procedures, patterns, or practices
22 that have or may have a disparate impact or discriminatory effect
23 on underserved communities of color or other underserved
24 communities, including, but not limited to, redlining maps, public
25 or private decisions that disrupt communities, restrictive covenants,
26 and discriminatory covenants, conditions, and restrictions.

27 (d) By January 1, 2028, the commissioner shall develop rules
28 to implement the findings and other results from the disparity study
29 required by subdivision (c) into the assessment process described
30 in Section 120008 in order to encourage additional wealth-building
31 and wealth-stabilizing investments, loans, and financial services
32 in communities that have historically suffered from discriminatory
33 practices and unequal access to financial services.

34 (e) The commissioner shall make the findings of the disparity
35 study required by subdivision (c) available to the public.

36 120006. (a) Before January 1, 2029, a covered financial
37 institution shall conduct an initial assessment to determine the
38 financial services needs of local communities.

39 (b) The covered financial institution shall solicit public input
40 to be considered in the assessment required by subdivision (a).

(c) (1) Upon completion of the assessment required by subdivision (a), the covered financial institution shall deliver, in writing, both of the following to the commissioner:

(A) The assessment and evidence of the covered financial institution's satisfaction of subdivision (b).

(B) Any documentation submitted to comply with *the* federal Community Reinvestment Act (Chapter 30 (commencing with Section 2901) of Title 12 of the United States Code).

(2) The covered financial institution and the commissioner shall make the documents submitted pursuant to paragraph (1) available to the public for further comment on their respective internet websites.

120008. (a) The commissioner shall assess the record of each covered financial institution in satisfying its obligation under Section 120004.

(b) The assessment ~~requirement~~ *required* by subdivision (a) shall be based on both of the following:

(1) The business activities of the covered financial institution.

(2) Any limitations on membership in the credit union charter, if applicable.

(c) The commissioner shall conduct an assessment described by subdivision (a) for every covered financial institution for compliance with this division no less than once every three years.

(d) (1) The commissioner shall make public an assessment schedule at the beginning of each year and invite public comment related to a covered financial institution's compliance with this division.

(2) The commissioner shall notify a covered financial institution of the assessment schedule described in paragraph (1) before making the assessment schedule public.

(e) To the extent practicable, the assessment required by this section shall be made concurrently with any other assessment or examination of the covered financial institution by the commissioner.

120010. To assist in conducting the assessments required by Section 120008, the commissioner shall adopt rules providing for consideration of the following factors, at a minimum, pertaining to whether covered financial institutions are meeting the financial services needs of local communities:

1 (a) Activities to ascertain the financial services needs of the
2 community, including communication with community members
3 regarding the financial services provided.

4 (b) Extent of marketing to make members of the community
5 aware of the financial services and products offered.

6 (c) The current distribution of the institution's branches among
7 low-, moderate-, middle-, and upper-income geographies, and the
8 institution's record of opening and closing branches, particularly
9 branches located in rural or low- and moderate-income geographies
10 and neighborhoods of color.

11 (d) (1) The number of mortgage loan applications received and
12 the number and dollar amount of mortgage loans originated.

13 (2) For purposes of this subdivision, mortgage loans include,
14 but are not limited to, home purchase, home refinancing, home
15 improvement and rehabilitation loans, and other efforts to assist
16 existing low-income and moderate-income residents to be able to
17 remain in affordable housing in their neighborhoods.

18 (e) The range of mortgage loan products offered, including, but
19 not limited to, the offerings and origination of government-backed
20 loans or loans featuring low downpayments or other features
21 designed to facilitate lending to low- and moderate-income
22 borrowers.

23 (f) For small business and farm lenders, the origination of loans
24 to businesses and farms with gross annual revenues of one million
25 dollars (\$1,000,000) or less, particularly those in rural and low-
26 and moderate-income neighborhoods.

27 (g) The percentage of consumer and commercial loans applied
28 for and originated by race and ethnicity, as reported by the
29 borrower, and whether these consumer and commercial credit
30 needs are being met.

31 (h) Participation, including by making investments or grants,
32 in programs designed specifically to meet the needs of ~~low- and~~
33 ~~moderate-income~~ *low- and moderate-income* communities,
34 community development and redevelopment programs, affordable
35 housing creation and preservation, workforce housing for low-
36 and moderate-income workers in close proximity to jobs, low-cost
37 education loans provided to low-income borrowers and as
38 otherwise encouraged by the federal Community Reinvestment
39 Act (Chapter 30 (commencing with Section 2901) of Title 12 of
40 the United States Code), social housing, small business technical

1 assistance programs, minority-owned depository institutions,
2 community development financial institutions, tribal communities,
3 projects and initiatives to increase access to high-speed internet
4 and broadband services for underserved communities, government
5 programs that accept private capital to support the elderly or
6 disabled, programs that provide disaster preparedness, recovery,
7 and relief efforts, climate resiliency initiatives, housing counseling
8 agencies, community land trusts, and other nonprofit organizations
9 serving the affordable and fair housing, economic development,
10 and wealth building needs of the community.

11 (i) Efforts working with delinquent customers to facilitate a
12 resolution of the delinquency.

13 (j) For mortgage loans, the institution's efforts to work with
14 delinquent borrowers to facilitate a resolution of the delinquency,
15 including the number of loan modifications, the timeliness of such
16 modifications, and the extent to which those modifications are
17 effective in preventing subsequent defaults or foreclosures, in
18 addition to data on numbers of delinquencies and foreclosures. If
19 foreclosure is unavoidable, efforts to transfer property ownership
20 to community land trusts, bona fide nonprofit housing
21 organizations, or prospective owner occupants.

22 (k) Origination of loans that show an undue concentration and
23 a systematic pattern of lending resulting in the loss of affordable
24 housing, deed restricted and rent controlled units, and displacement
25 of residents, which shall result in a downgrade of the rating given
26 pursuant to Section 120014.

27 (l) The racial, ethnic, and gender diversity of the institution's
28 board of directors and senior management, to the extent that
29 information is available to the commissioner.

30 (m) For a covered financial institution that is a depository
31 institution, the institution's use of reports from a specialty
32 consumer reporting agency to determine eligibility for opening a
33 bank account.

34 (n) For covered financial institutions that are depository
35 institutions, the number of open and active accounts that meet the
36 Bank On National Account Standards issued by the Cities for
37 Financial Empowerment Fund.

38 (o) Evidence of discriminatory and prohibited practices,
39 including violations of consumer protection laws, fair housing and
40 fair lending laws, or wage theft protection and labor laws, which

1 shall result in a downgrade of the rating given pursuant to Section
2 120014.

3 (p) An institution's record of meeting community needs, as
4 informed by public comment, including the institution's
5 responsiveness to needs of communities that have faced public
6 and private discrimination, including the use of redlining,
7 covenants, conditions, and restrictions to exclude residents based
8 on race, or other discriminatory housing and lending practices.

9 (q) Low-cost investments, loans, or financial services that further
10 community stabilization, antispeculation, right of return, or other
11 support that benefits homeowners, tenants, small businesses, or
12 community institutions impacted by disasters declared by the
13 Governor, which shall result in an upgrade of the rating given
14 pursuant to Section 120014.

15 (r) Hiring, contracting, or lending activities that support projects,
16 programs, businesses, or other institutions that provide employment
17 opportunities providing worker compensation, benefits, or career
18 opportunities substantially above technical levels for the relevant
19 industry, which shall result in an upgrade of the rating given
20 pursuant to Section 120014 if there is a legally enforceable
21 mechanism for the provision of those employment opportunities.

22 (s) An institution's performance in relation to the demographics
23 of the areas in which it has offices and other facilities and where
24 it conducts substantial business.

25 (t) An institution's performance in relation to its peers.

26 (u) Any other factors or requirements, as determined by the
27 commissioner, which reasonably bear on the extent to which a
28 covered financial institution is meeting the financial services needs
29 of its entire community, including responsiveness to community
30 needs as reflected by public comments.

31 120012. (a) (1) The commissioner may at any time investigate
32 into the affairs of, and examine the books, accounts, records, files,
33 and offices, whether within or outside of this state, used in the
34 business of a covered financial institution, for compliance with
35 this division.

36 (2) The commissioner and the commissioner's duly designated
37 representatives shall have free access to the offices and places of
38 business, books, accounts, papers, records, files, safes, and vaults
39 of a covered financial institution referred to in paragraph (1).

1 (3) The examined officers and employees of a covered financial
2 institution shall exhibit to the examiners, on request, any or all of
3 its securities, books, records, and accounts and shall otherwise
4 cooperate with the examination as far as it is in their power.

5 (b) The commissioner, in consultation with state and federal
6 regulators with an appropriate regulatory interest, shall examine
7 each covered financial institution for compliance with this division,
8 as well as applicable consumer protection, fair housing, and fair
9 lending laws, including, but not limited to, the Unruh Civil Rights
10 Act, the federal Equal Credit Opportunity Act, the federal Fair
11 Housing Act, the federal Home Mortgage Disclosure Act, and
12 Section 1071 of the Dodd-Frank Act.

13 (c) The commissioner may adopt rules with respect to the
14 manner of examination, including the imposition of examination
15 fees.

16 (d) The commissioner may conduct any examinations under
17 this division with other state or federal regulators and may enter
18 into cooperative agreements relative to the coordination of or joint
19 participation in any examinations, the amount and assessment of
20 fees therefor or enforcement actions relevant thereto, and may
21 accept reports of assessments by these regulators under those
22 arrangements or agreements.

23 120014. (a) The commissioner shall assign one of the
24 following ratings to describe how a covered financial institution
25 is meeting its community financial services needs based on the
26 assessment conducted under Section 120008:

27 (1) Outstanding.

28 (2) High satisfactory.

29 (3) Satisfactory.

30 (4) Needs to improve.

31 (5) Substantial noncompliance.

32 (b) The commissioner shall adopt rules setting minimum
33 thresholds or ranges of performance required for each rating
34 described in subdivision (a) by type of covered financial institution.

35 120016. Upon the completion of the assessment of a covered
36 financial institution under Section 120008, the commissioner shall
37 prepare a written evaluation of the covered financial institution's
38 record of performance relative to this division. The written
39 evaluation shall have a public section, which shall include no less
40 information than would be disclosed in a written evaluation under

1 the federal Community Reinvestment Act, and a summary of
2 relevant Home Mortgage Disclosure Act data, including data
3 related to applications, originations, and denials for conventional
4 and government-insured mortgages based on the demographics of
5 applicants and demographics of neighborhoods, and a confidential
6 section. The commissioner shall give the covered financial
7 institution an opportunity to comment on the evaluation, and then
8 shall make the public section of the written evaluation publicly
9 available on the internet websites of the department and covered
10 financial institution, respectively. The written evaluation shall
11 include, but not be limited to, all of the following:

12 (a) The assessment factors utilized to determine the covered
13 financial institution's descriptive rating.

14 (b) The commissioner's conclusions with respect to each
15 assessment factor.

16 (c) A discussion of the facts supporting the conclusions made
17 under subdivision (b).

18 (d) The covered financial institution's descriptive rating and
19 the basis therefor.

20 (e) A summary of public comments.

21 120018. Notwithstanding any other section in this division,
22 the commissioner may establish, by rule, an alternative examination
23 procedure for any covered financial institution that, as of the most
24 recent examination, has been assigned a rating of outstanding or
25 high satisfactory for its record of performance in meeting its
26 community financial services needs.

27 120020. A covered financial institution that receives a rating
28 of "needs to improve" or "substantial noncompliance" shall submit
29 a plan within 180 days of receiving the rating to the commissioner
30 describing the covered financial institution's efforts to improve
31 its performance in helping to meet the financial needs of local
32 communities and the results of those efforts. The plan shall be
33 subject to public comment and updated quarterly until the covered
34 financial institution receives a rating of "satisfactory" or better.

35 120022. A covered financial institution shall provide, in the
36 public lobby of each of its offices, if any, and on its internet
37 website, a public notice that is substantially similar to the
38 following:

39
40 "State of California Community Reinvestment Notice

1 The California Department of Financial Protection and
2 Innovation (Department) evaluates our performance in meeting
3 the financial services needs of this community, including the needs
4 of low-income to moderate-income households. The Department
5 takes this evaluation into account when deciding on certain
6 applications submitted by us for approval by the Department. Your
7 involvement is encouraged. You may obtain a copy of our
8 evaluation. You may also submit signed, written comments about
9 our performance in meeting community financial services needs
10 to the Department.”

11
12 120024. In considering an application for the establishment of
13 a branch, office, or other facility, the relocation of a main office,
14 branch, office, or other facility, a license renewal, change in control
15 of a covered financial institution, or a merger or consolidation with
16 or the acquisition of assets or assumption of liabilities of any
17 covered financial institution, out-of-state bank, credit union, or
18 residential mortgage licensee, national bank or credit union, or
19 foreign financial institution, the commissioner shall consider, but
20 not be limited to considering, the record of performance of the
21 covered financial institution and its parent company, including all
22 subsidiaries and affiliates thereof, relative to this division. The
23 record of performance of the covered financial institution may be
24 the basis for the denial of an application.

25 120026. (a) The commissioner shall prepare and submit
26 annually to the Treasurer a list of covered financial institutions
27 that have received a rating of “needs to improve” or “substantial
28 noncompliance” pursuant to this division.

29 (b) Notwithstanding any other law, a covered financial
30 institution with a rating of “needs to improve” or “substantial
31 noncompliance” shall not receive state funds for deposit, be
32 awarded a new state contract to provide financial services, or be
33 awarded an extension of an existing state contract to provide
34 financial services.

35 (c) The Treasurer shall make every effort to avoid interrupting
36 existing services provided by a covered financial institution that
37 is subject to subdivision (b).

38 120028. (a) The Community Reinvestment Fund is hereby
39 established within the State Treasury. Moneys in the fund shall be

1 available, upon appropriation by the Legislature, to the
2 commissioner for purposes of administering this division.

3 (b) (1) The commissioner may issue an administrative penalty
4 of up to one hundred thousand dollars (\$100,000) to a covered
5 financial institution that regularly fails to meet its obligations
6 prescribed by Section 120004, including, but not limited to, a
7 covered financial institution that receives a rating of “substantial
8 noncompliance” in any two successive examinations.

9 (2) All moneys received in payment of administrative penalties
10 under this section shall be deposited in the fund.

11 120030. The commissioner shall adopt regulations to implement
12 this division.

O