



March 6, 2019

Honorable Monique Limón
 Chair, Assembly Banking and Finance Committee
 State Capitol
 Sacramento, CA 95814

Re: Support AB 539 (Limón) – Fair Access to Credit Act

Dear Chairperson Limón,

The Californians for Economic Justice Coalition writes in support of your bill, Assembly Bill 539, the Fair Access to Credit Act, which will prohibit the practice of charging unaffordable interest rates on consumer loans of \$2,500 - \$10,000.

While state unemployment rate is near record lows, the household incomes of working Californians have not kept up with the rising costs of housing, child care, and health care. As families face financial pressure, California has a responsibility to ensure that available credit products meet the needs of consumers, reflect their ability to repay and do not allow Californians under financial duress to be subjected to predatory practices. Currently, California is failing to meet these responsibilities.

Existing law does not limit the interest rate that lenders can charge on loans of \$2,500 - \$10,000. This lack of an interest rate cap has resulted in a recent explosion of loans with annual interest rates in the range of 100% - 225% and above. According to the California Department of Business Oversight (DBO), the market for triple-digit interest rate loans went from nearly nonexistent ten years ago to having an annual loan volume of \$1.1 billion in 2017.

Triple-digit interest rate loans harm Californians, and harm our economy as a result. Based on data provided by lenders to the DBO, approximately one-third of these loans end up in default. When a borrower defaults on a loan, the lender can “charge-off” the loan, giving the lender a federal and state income tax write-off. But the debt never goes away for borrowers who default, who face harmful consequences, including damaged credit, car repossessions, law suits, wage garnishment, bank levies, tax intercepts and even bankruptcy.

AB 539 will protect borrowers from the predatory practices of triple-digit lenders by enacting a reasonable interest rate cap on installment loans that allow lenders to make a fair return and give borrowers a fair chance to repay the loan. For these reasons, we strongly support AB 539, applaud your leadership in authoring this important measure, and respectfully request an “Aye” vote.

Sincerely,

African Methodist Episcopal Church - 5th Episcopal District, Bishop Clement W. Fugh
Asian Law Alliance, Richard Konda, Executive Director
Beneficial State Foundation, Emma Guttman-Slater, Policy Advocacy & Field Building Director
California Asset Building Coalition, Sabrina Hamm
Californians for Economic Justice
Coalition for Humane Immigrant Rights (CHIRLA), Joseph Villela, Director of Policy and Advocacy
Community Legal Services of Palo Alto, Keith Ogden, Esq., Senior Attorney, Housing Program
Consumers for Auto Reliability and Safety, Rosemary Shahan, President
Greenlining Institute, Orson Aguilar, President
Housing and Economic Rights Advocates, Maeve Elise Brown, Executive Director
League of United Latin American Citizens, Sindy M. Benavides, CEO
Mission Asset Fund, Jose Quinonez, CEO
Mission Economic Development Agency (MEDA), Norma Garcia, Director of Policy and Advocacy
National Housing Law Project, Lisa Sitkin, Senior Staff Attorney
NEW Economics for Women, Maggie Cervantes, Executive Director
Opportunity Fund, Gwendy Brown, Vice President, Research and Policy

Swords to Plowshares – Vets Helping Vets Since 1974, Tyler Solorio, Policy Analyst, Army
Ward Economic Development Corporation, Jacquelyn Dupont-Walker, Founding President
Western Center on Law and Poverty, Jessica Bartholow, Policy Advocate

cc: Members, Assembly Banking and Finance Committee
Michael Burdick, Consultant