



CALIFORNIA REINVESTMENT COALITION

October 1, 2019

The Honorable Gavin Newsom
Governor of the State of California
State Capitol, First Floor
Sacramento, CA 95814

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

Dear Governor Newsom:

The California Reinvestment Coalition (CRC) requests your signature on AB 539, the Fair Access to Credit Act.

CRC is comprised of over 300 organizations statewide, ranging from affordable housing advocates, consumer groups, community development financial institutions, legal aid and others. For over 30 years CRC has been at the center of promoting sustainable investment in low and moderate-income communities of color, confronting redlining and challenging abusive lending practices.

This legislation will prohibit the practice of charging unaffordable interest rates on consumer loans of \$2,500 - \$10,000.

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 – they face harmful consequences, including damaged credit, car repossessions, lawsuits, wage garnishment, bank levies, tax intercepts and even bankruptcy.

AB 539 will protect borrowers from the predatory practices of triple-digit interest 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. This bill garnered support from one of the broadest coalitions to coalesce around a consumer protection bill in recent state history. The coalition consisted of faith leaders, labor, immigrant rights, consumer advocates, veterans’ groups, and industry partners; it also had strong bipartisan support in both the Assembly and Senate.



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As you noted in your inaugural address, it is time for California to stand up to predatory lenders. We strongly believe that AB 539 fulfills that task, and respectfully ask for your signature on this important piece of legislation.

Sincerely,

Paulina Gonzalez-Brito
Executive Director
California Reinvestment Coalition

Vijay Das
National Policy and Communications Director
California Reinvestment Coalition

cc: The Honorable Monique Limon, California State Assembly, Author