



Office of the Mayor

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June 12, 2019

Honorable Steven Bradford
Chair, Senate Banking Committee
State Capitol
Sacramento, CA 95814

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

Dear Chairperson Bradford:

The City of Fremont writes in support of 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 support AB 539 and respectfully request your “Aye” vote.

Sincerely,

A handwritten signature in blue ink that reads "Lily Mei".

Lily Mei
Mayor
City of Fremont

