

March 2018

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The Honorable Monique Limón
Chair, Assembly Banking and Finance Committee
State Capitol, Room 6031
Sacramento, CA 94249-0045

RE: Support AB 2500 (Kalra) – The Safe Consumer Lending Act

Dear Chairperson Limón:

The undersigned organizations support Assembly Bill 2500 (Kalra) which provides strong protections for consumer loans.

Many families across California are living paycheck to paycheck. Stagnant wages, high cost housing, childcare costs, and other financial strains are contributing to this problem. Unfortunately, some lenders see this despair as an opportunity to trap borrowers into high cost loans, with exorbitant interest rates that far too often lead them into financial ruin. This type of abuse leads to damaged credit, repossession of car, closure of bank accounts, law suits, wage garnishment, and even bankruptcy. These lenders deliberately target Latino and African American borrowers by setting up stores in minority and low-income neighborhoods around California.

Currently, California law does not have a limit on the APR (annual percentage rate) that lenders can charge on loans \$2,500 to \$10,000. According to a 2016 annual report by the California Department of Business Oversight, 58% of loans from \$2,500 to \$5,000 had an APR of 100% or higher. In 2014, according to the National Consumer Law Center, these loans had a default rate of 20% to 40%. It's a win-win situation for lenders, as they are able to recoup the loan amount and profit within 6-12 months of repayment, and obtain a tax write-off for any unpaid principal.

AB 2500 will extend California's current interest rate cap for consumer loans from \$2,500 to \$10,000. Under this law, a \$10,000 loan with a 12 month repayment plan would carry a maximum interest rate of 20%. Putting a limit on APRs would level the playing field for lenders that are providing access to safe and affordable loans.

The Trump Administration is rolling back important federal consumer protection regulations, including halting the Consumer Financial Protection Bureau's final rule on payday and car-title lending. Inaction at the federal level means that California families will highly depend on the state legislature to curb predatory payday lending and abusive high-cost installment loans. For these reasons, we support AB 2500 and respectfully requests your "Aye" vote.

Sincerely,



Betsy Butler
Executive Director