

1 [Supporting California State Assembly Bill No. 539 (Limón) - Fair Access to Credit Act]

2
3 **Resolution supporting California State Assembly Bill No. 539, authored by Assembly**
4 **Member Monique Limón and coauthored by Assembly Members Timothy Grayson,**
5 **Cecelia Aguiar-Curry, Ash Kalra, James Ramos, Eloise Gómez Reyes, Mark Stone, and**
6 **State Senators Maria Elena Durazo, Holly Mitchell, and Bob Wieckowski, to cap interest**
7 **rates on consumer loans at 36% per annum plus the Federal Funds Rate for loans with**
8 **a principal amount greater than \$2,500 and lesser than \$10,000.**

9
10 WHEREAS, Long-term financial health of all residents in the City and County of San
11 Francisco, particularly low-income and working families, is important to the overall economic
12 well-being of the region; and

13 WHEREAS, High-cost loan services, which are concentrated in areas with family
14 poverty rates higher than that of the state average, market their products to economically
15 disadvantaged communities and people who may need to resolve short-term financial crises;
16 and

17 WHEREAS, Existing state law provides a 36% interest rate cap on consumer
18 installment loans below \$2,500, but does not cap interest rates on consumer installment loans
19 with principal amounts of \$2,500 or greater; and

20 WHEREAS, The California Supreme Court held in August 2018 that current uncapped
21 interest rates on high-cost loans of \$2,500 or greater are unduly oppressive and
22 unconscionable; and

23 WHEREAS, State-licensed high-cost lenders originated 352,207 loans with annual
24 interest rates above 100% annual percentage rate in 2017, representing \$1.1 billion in
25 principal amount; and

1 WHEREAS, Default rates on high-cost loans exceed 30% statewide and cause harmful
2 consequences to San Francisco families, including damaged credit scores, car
3 repossessions, lawsuits, wage garnishments, and even bankruptcy; and

4 WHEREAS, California State Assembly Bill No. 539 places a 36% interest rate cap, tied
5 to the Federal Funds Rate, for consumer installment loans of \$2,500 to \$10,000; and

6 WHEREAS, California State Assembly Bill No. 539 strikes the right balance between
7 protecting consumers from predatory lending practices and allowing responsible lenders to
8 provide access to credit to consumers with challenged credit scores or no credit score due to
9 lack of previous credit access; now, therefore, be it

10 RESOLVED, That the City and County of San Francisco supports California State
11 Assembly Bill No. 539 and urges the Assembly and Senate to pass the bill; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors hereby directs the Clerk of the
13 Board to send a copy of this Resolution to the California State Assembly and the California
14 State Senate.

15
16
17
18
19
20
21
22
23
24
25