



March 14, 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,

On behalf of the City and County of San Francisco, I am writing 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.

As San Francisco's Treasurer, I believe that my responsibility to safeguard our city's money extends to the financial wellbeing of our residents. I have worked hard to develop programs and policies that help build financial security for low-income San Franciscans, including strategies to expand access to safe and affordable bank accounts, reduce debt, and save for emergencies and college. Through financial coaching and other initiatives, my Office of Financial Empowerment has seen the devastating impacts that predatory lending can have on our residents. We have worked with local and state leaders to combat harmful consumer loans, such as enacting strong zoning ordinances related to fringe financial services and working with the state legislature on their pilot program for small dollar lending.

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.

Many families in San Francisco, and millions more across California are living paycheck to paycheck. While state unemployment is at record lows, the household incomes of working Californians have not kept up with the high cost of living. 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 cars, closure of bank accounts, 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.

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.

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, San Francisco supports AB 539. I am grateful for your leadership in authoring this important measure.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

José Cisneros
Treasurer, City and County of San Francisco

Cc: Senator Scott Wiener
Assemblymember David Chiu
Assemblymember Phil Ting