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California bill capping consumer loan interest rates moves closer to enactment

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[AB 539](#) was cleared by the California Senate's Banking Committee on June 26. The bill would change several aspects of the California Financing Law (CFL), including by setting new interest rate caps, imposing new rules governing loan duration, and prohibiting prepayment penalties. For example, while the CFL does not set a maximum interest rate on loans of \$2,500 or more, AB 539 would cap the interest rate at 36% plus the federal funds rate on loans of \$2,500 or more but less than \$10,000.

In the Banking Committee, the bill was amended to require finance lenders to report a borrower's payment performance to at least one nationwide consumer reporting agency and offer the borrower at no cost an approved credit education program or seminar before disbursing loan proceeds.

The bill cleared the California Assembly in May 2019 and now moves to the Senate Judiciary Committee, which observers also expect it to clear. The Judiciary Committee hearing is scheduled for tomorrow, July 9.

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