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California Bill Capping Consumer Loan Interest Rates and Addressing Unconscionability Clears Assembly

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- Consumer Protection
- Financial Institutions & Banking

- California

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Last week, by a vote of 60 to 4 (with 16 not voting), the California Assembly cleared AB 539, which 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. Additionally, AB 539 would change the CFL to make clear that a loan's rate cannot be used as the sole factor in determining whether a loan is unconscionable. See our prior blog post for other limitations that would be imposed by AB 539.

The bill now moves to the California Senate, where an early June hearing is expected.

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