LOS ANGELES COUNTY
CONSUMER & BUSINESS AFFAIRS

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Los Angeles County Borrowers Gain New Consumer Protections as Governor Signs Assembly Bill 539 into Law

New state law will limit interest rates on certain personal loans

High-cost loan victims speak in favor of LA County-sponsored State Assembly Bill 539 at a June 2019 press conference organized by Supervisors Hilda L. Solis and Sheila Kuehl. Governor Gavin Newsom signed the bill into law on Thursday.

LOS ANGELES – California lawmakers have taken a major step in protecting borrowers from predatory high-cost loans. Governor Gavin Newsom signed LA County-sponsored Assembly Bill 539 into law on Thursday. The new law will cap interest rates at 36 percent simple interest, for loans between $2,500 and $9,999 starting Jan. 1, 2020.

There is no rate cap for loans of this size under existing law, and some loans carry an annual percentage rate of 100 percent or more. A study by the National Consumer Law Center stated that approximately 40 percent of these loans end in default.

“For too long, low-income communities of color have been taken advantage of by high-cost lenders, trapping consumers in loans that they cannot afford to repay, undercutting their financial well-being, and impacting their families, businesses, and communities,” said Supervisor Hilda L. Solis, who authored the motion at the Los Angeles County Board of Supervisors to sponsor AB 539. “Thank you to Governor Newsom for signing this crucial bill, and to Assemblymember Monique Limón for authoring and championing this bill in Sacramento. With a reasonable interest rate cap on high-cost loans signed into law, I am committed to continuing to work with our communities and partners to establish safe lending options, along with enhancing a comprehensive array of economic opportunities for our most economically vulnerable residents.”

“Triple-digit loans trap borrowers and leave them straddled with debt. This is one of the most unconscionable ways that wealth is stripped from our most vulnerable residents already struggling to make ends meet,” said Supervisor Mark Ridley-Thomas. “Thanks to Governor Newsom signing this critical bill, AB 539 will help combat and counteract the excessive cost of lending in California.”

“The passage of Assembly Bill 539 is a historic step in support of hard-working consumers,” said Department of Consumer and Business Affairs Director Joseph M. Nicchitta. “This law will help struggling families throughout the state and in Los Angeles County who are crippled by bad debt from predatory small-dollar loans, while still ensuring access to lower-interest credit.”

California Assemblymembers Monique Limón, Tim Grayson, and Lorena Gonzalez authored the bill. The Department of Consumer and Business Affairs also acknowledges the outstanding efforts of the California Asset Building Coalition and Californians for Economic Justice, who fought for the passage of the bill.

Since 1976, the County of Los Angeles Department of Consumer and Business Affairs (DCBA) has served consumers, businesses, and communities through education, advocacy, and complaint resolution. We work every day to educate consumers and small business owners about their rights and responsibilities, mediate disputes, investigate consumer fraud complaints, and enforce Los Angeles County’s minimum wage and interim rent stabilization ordinances.
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