



**James Johnson**  
**City of Long Beach**  
**Councilmember, Seventh District**

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**Date:** February 5th, 2013  
**To:** Honorable Mayor and Members of the City Council  
**From:** Councilmember James Johnson, Seventh District  
Councilwoman Gerrie Schipske, Fifth District  
**Subject:** Reforming the California Finance Lender's Law

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**RECOMMENDATION:**

Request that the City Council refer consideration of the California Finance Lender's Law to the State Legislation Committee in order to amend the City's legislative agenda to advocate for the elimination of the loophole that allows for unregulated loans exceeding \$2,500.

**DISCUSSION:**

The California Finance Lender's Law (CFLL) was established, in part, to regulate the practices of loan agencies. Two purposes of this legislation are "to protect borrowers against unfair practices by some lenders" and "to permit and encourage the development of fair and economically sound lending practices" (California Financial Code, Section 22001). Despite these purposes, the current lack of a regulatory interest rate ceiling on certain types of lending allows for predatory practices that, given the customer base of lending agencies, disproportionately affects lower-income families in times of financial crisis.

This loophole allows lenders to charge unlimited interest on loans of at least \$2,500. These interest rates have been known to exceed 300%, which creates a cycle of lending where new loans are needed to payoff prior balances and the large amount of interest that has accrued due to unlimited rates. The State Legislation Committee should consider advocating for an interest rate cap on these loans in order to protect our residents and residents statewide from such unfair lending practices.

**FISCAL IMPACT**

This item has no significant fiscal impact.