Date of Hearing: April 6, 2026

ASSEMBLY COMMITTEE ON BANKING AND FINANCE
Avelino Valencia, Chair
AB 2350 (McKinnor) – As Amended March 26, 2026

SUBJECT: Consumer loans: residential real property rental obligations

SUMMARY: Specifically, **this bill**:

Prohibits a licensee under the California Financing Law (CFL) from providing a loan agreement to rent residential real property, including, but not limited to, under a split loan agreement.

EXISTING LAW:

1. Defines "broker" to include any person who is engaged in the business of negotiating or performing any act as broker in connection with loans made by a finance lender. Financial Code §22004.

2. Defines "licensee" to mean any finance lender, broker, or program administrator who receives a license in accordance with this division. Fin. Code §22007(a).

3. Defines "finance lender" to include any person who is engaged in the business of making consumer loans or making commercial loans. The business of making consumer loans or commercial loans may include lending money and taking, in the name of the lender, or in any other name, in whole or in part, as security for a loan, any contract or obligation involving the forfeiture of rights in or to personal property, the use and possession of which property is retained by other than the mortgagee or lender, or any lien on, assignment of, or power of attorney relative to wages, salary, earnings, income, or commission. Fin. Code §22009.

4. Requires nonbank operating subsidiaries and affiliates of banks engaging in any consumer lending or brokering activity to obtain a CFL license unless otherwise exempt. California Code of Regulations, Title 10 §1422.3(a).

5. Buy now, pay later (BNLP) is considered a loan in California and thus requires companies that offer BNPL products to hold a license. Financial Code, section 22009.

FISCAL EFFECT: **This bill is keyed Fiscal by Legislative Counsel.**

COMMENTS:

Statement from the Author
"Rent Now, Pay Later lenders' services are exacerbating housing affordability in California with predatory lending practices. 79% of extremely low-income renter households face a severe cost burden. Rental housing owners of residential property and businesses that offer 'Rent Now, Pay Later' loans for renters to be able to pay for housing through installments, have been pushing short-term, high-cost loans on cash-strapped renters.

Abusive loan products trap low-income consumers in never-ending debt cycles. Rent Now, Pay Later lenders place critical details of the terms and conditions of their products in the fine print of their financial contracts, obscuring how fees and interest charges stack on top of one another. As a result, borrowers often have no idea how quickly their debt is accumulating -and are left with no financial cushion for emergencies. This is especially alarming given that nearly 40% of Americans cannot cover a $400 emergency expense. This problem for renters has resulted in companies leaving families and individuals at greater risk of eviction. Furthermore, these predatory practices expose working people to potential financial risks from dubious credit reporting, while lenders market these products as a helpful option to pay rent. California must end these predatory practices that exacerbate the housing affordability crisis for working families and stop hurting low-income renters in the state.

AB 2350 would prohibit predatory Rent Now, Pay Later financial services for rental housing, so that owners of residential property and businesses do not continue to profit off the backs of high rent burdened, hardworking, and all too often low-income Californians. Furthermore, this bill would give impacted renters, the Commissioner of Financial Protection and Innovation, and the Attorney General the ability to enforce violations and hold bad actors accountable."

Statement from Support
Rent Now, Pay Later loans with high interest rates and junk fees can be harmful rent-related financial products, especially for low-income consumers. Working families are thus saddled with thousands of dollars in additional fees and interest payments every year. This problem for renters has resulted in companies leaving families and individuals at greater risk of eviction. Furthermore, these predatory practices expose working people to potential financial risks from dubious credit reporting, while lenders market these products as a helpful option to pay rent.— Becky Dennison, Housing Justice Policy Manager, Legal Aid Foundation of Los Angeles.

Statement from Opposition
AB 2350 would impose a rigid ban on residential rent-related financing, stripping property owners of the flexibility to offer private payment arrangements to tenants facing temporary financial hardship. By effectively outlawing "rent split" agreements and consumer loans for housing, this measure threatens to eliminate critical short-term liquidity options for renters, potentially forcing them into eviction rather than allowing for manageable, credit-based solutions.- East Bay Rental Housing Association.

Background
The cost of living in California and across the country has increased at a steady rate, while unemployment and wages have not kept pace. According to the Urban Institute, in California, food prices increased 7.2% between 2022 and 2024 and credit card delinquencies rose 47.2% between February 2022 and August 2024.[1] Since 2020, living costs have increased 21% with the largest price increases concentrated in transportation, food, and housing.[2] All the while, changes in wages have fluctuated evenly over time. Note, that for lower-income and gig-economy workers, paychecks can be unpredictable and vary widely.

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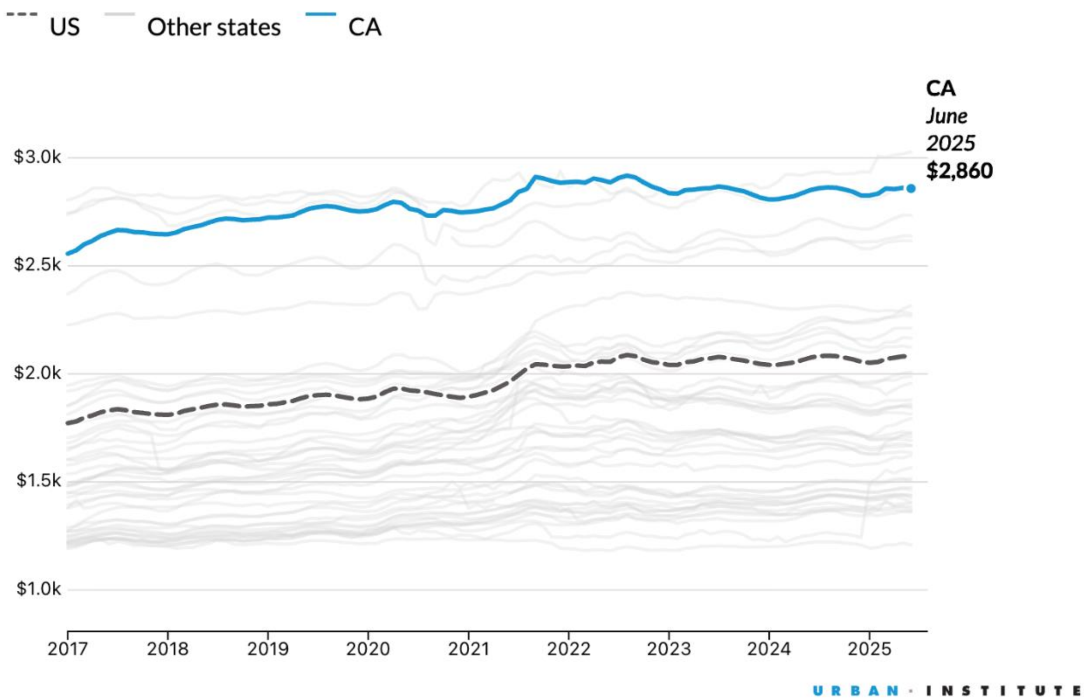
1 https://www.urban.org/data-tools/food-prices-credit-card-debt. Last accessed March 31, 2026.
2 https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/food-prices-and-spending. Last accessed March 31, 2026.

How have rents changed over time?

The average monthly rent is $2,860 in California, up 1.1 percent compared with $2,830 in January 2025.



Source: Zillow Observed Rent Index.

Notes: Data by state are population-weighted averages of county-level data. Data by congressional district are population-weighted averages of zip code–level data. For more details, see our technical appendix.

Most recently, the 2026 calendar year has witnessed a significant escalation in workforce reductions across major industry leaders, including Amazon, Meta, Microsoft, Nike, Target, and UPS. These layoffs are increasingly precipitated by the advancement of artificial intelligence, shifts in public policy, and broader economic volatility that continues to reshape the contemporary business landscape.[3] Furthermore, the current average gas price in California at the time of this writing is $5.881/gal[4] and shifting as the war in Iran continues indefinitely.

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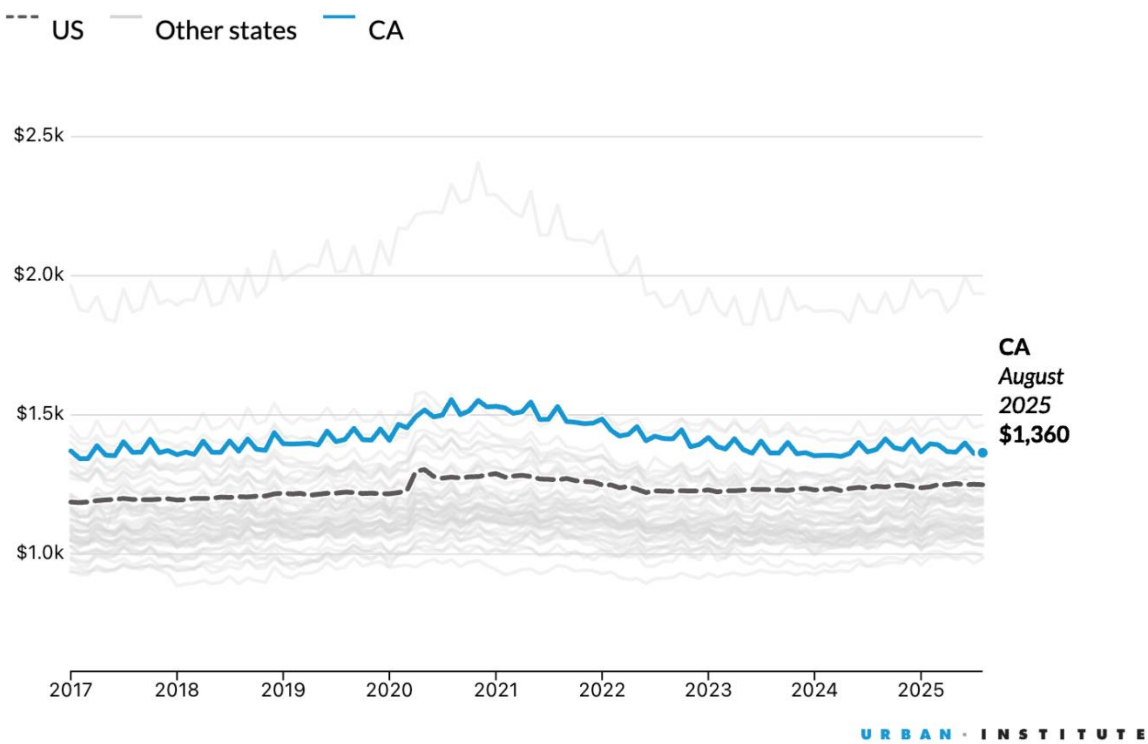
[3] "*Companies laying off staff this year include Meta, Amazon, and Oracle — see the list*", Business Insider. March 31, 2026.

[4] https://fuelinsights.gasbuddy.com/Home/US/California. Last accessed March 31, 2026.

How have weekly earnings changed over time?

Average weekly earnings are $1,360 in California, down 0.2 percent compared with $1,370 in January 2025.



Source: Bureau of Labor Statistics accessed via Federal Reserve Economic Data.

Notes: Average weekly earnings of all employees of private firms (nonfarm). For more details, see our technical appendix.

While the affordability gap continues to widen, some fintech[5] companies have developed financial products to meet the consumer need for stretching income to the next paycheck in the form of "rent now, pay later" (RNPL). The RNPL financial product is similar to the more broadly applied buy now, pay later (BNPL) financial product, which is considered a loan in California.[6] With RNPL, the landlord is paid the full amount of the rent at the beginning of the month by the service provider while the renter makes a first partial payment towards the rent and a service fee. The second payment for the rent is made to the service provider on the 15th along

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[5] Fintech is the portmanteau given to financial technology applications that are used to support or enhance banking or financial services or products. Fintech itself is not a financial institution but rather partners with a financial institution to offer certain financial services or products.

[6] https://dfpi.ca.gov/press_release/point-of-sale-lender-quadpay-agrees-to-cease-illegal-loans-pay-refunds-in-settlement-with-the-california-department-of-business-oversight/ Last accessed March 31, 2026.

with the remaining service fee. This AP News article uses this example to illustrate the framework:

"*Kellen Johnson, 44, started using Flex to split up his rent payments about two years ago. Instead of paying the whole $1,850 of his rent on the first of the month, Johnson would pay $1,350 on that date, and $500 on the 15th. For the service, Flex collected a $14.99 monthly subscription fee, as well as 1% of the total rent, which for Johnson was $18.50, bringing his monthly charges for the app to more than $33.*"[7]

Using this example, the monthly charges of $34.49 can be considered the cost of borrowing $500 for two weeks (the amount of money remaining and the amount of time the renter has delayed paying rent otherwise due on the 1st). The effective annual percentage rate (APR) is 175%.[8] However, some companies that offer RNPL services allow the second payment to be scheduled as late as the end of the month. In the example above, in a 29-day borrowing term of $500, the effective APR would be 87%. In addition to the direct costs of the service, ancillary costs can be substantial. A 2.5% credit card processing fee as well as a $3 "passthrough fee" charged by some apartment buildings passed on to the user also apply. Some companies charge a late fee for overdue installment payments. If a user decides to link their bank account, unexpected or poorly timed payments can lead to a cascade of non-sufficient funds (NSF) fees for cash-fragile households–the exact consumer target for RNPL.

A study conducted by Protect Borrowers highlights the financial risks of RNPL when users connect their bank accounts directly to the service.

"With an overdraft, the bank covers the charge, automatically issues a loan for the excess portion to the account-holder, and fines the accountholder; with an NSF fee, the bank simply denies the transaction and then fines the account-holder anyway. The CFPB estimated in 2023 that the typical overdraft fee was $35, and that the typical NSF fee was $32…For already cash-strapped tenants, it is entirely possible that such a large charge could exceed what they have in their bank account at a given time. And if Rent Now, Pay Later companies have direct access to those users' bank accounts under those financial circumstances, consumers could end up paying a $35 fee to their bank simply because they cannot afford their rent or the loan they took out to help— on top of the late fees charged by the Rent Now, Pay Later lender….Rent Now, Pay Later companies disclose that they will try to charge users' accounts multiple times if the payment does not go through, meaning that ***consumers could rack up hundreds of dollars in successive overdraft and NSF fees****."*[9] (emphasis supplied).

In addition to the costs, a concerning practice is the advertising of "0% APR". Under the federal Truth in Lending Act (TILA)[10] creditors must disclose the cost of their loans to borrowers in a manner that is uniform to allow consumers to compare rates and prices. Under TILA, the Annual Percentage Rate (APR) is the main metric that consumers are meant to use while comparison shopping. The Protect Borrowers study finds:

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[7] Sweet, K. and Lewis, C. "Renters use 'rent now, pay later' services to manage monthly payments, but fees raise concerns". *Associated Press.*
[8] The Annual Percentage Rate (APR) for a 2-week (14-day) loan is determined by finding the total finance charges (interest and fees), divide them by the loan amount, and then annualize that rate over 365 days.
[9] "Rent Now, Pain Later", Protect Borrowers and Towards Justice, (February 2026) pages 21-22.
[10] 15 U.S.C. §1601 et seq.

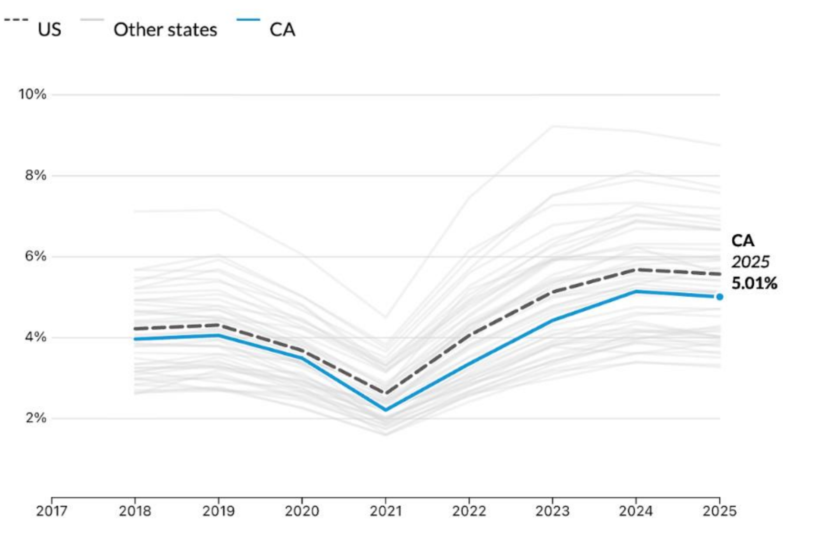
"*the regulations implementing TILA state that when calculating the APR for open-ended credit products, creditors do not have to include fees 'charged for participation in a credit plan,' such as subscription and membership fees. Flex claims that its product is legally an open-ended "line of credit" and labels its finance charges as a recurring "membership fee" even though it is arguable that Flex's product is a closed-end credit product for TILA purposes because it functions in certain important ways like traditional closed-end loans, including its payment timing and fee structure. Based on the company's own determination that its product is open-ended credit under TILA, Flex touts that its loans carry a zero percent APR.*"[11]

This claim can mislead, or at the very least, confuse borrowers who may interpret 0% APR to mean "cost-free".

Users of some RNPL services have complained about their credit score dropping due to either late payments or an increased credit utilization rate; difficulty unsubscribing; app malfunctioning forcing users to contact customer service; and no refunds on subscription fee issued when the service did not work.

How have credit card delinquencies changed over time?

The credit card delinquency rate is 5.01 percent in California, down 2.6 percent compared with 5.14 percent in 2024.



Source: Urban Institute Credit Bureau Panel.

Notes: The Urban Institute Credit Bureau Panel presents information from a nationally representative panel of deidentified, consumer-level credit records obtained from a major credit bureau with data collected annually. Here, we show the share of people with credit or charge card debt who are 60 or more days delinquent. From August 2017 through August 2020, the panel is based on a 2 percent sample (covering more than 5 million consumers). Beginning in August 2021 and continuing through August 2025, the panel expands to a 4 percent sample (covering more than 10 million consumers). We show data at the national, state, and congressional district levels. Congressional district data are population-weighted averages of data by zip code. For more details, see our technical appendix.

[11] "Rent Now, Pain Later", Protect Borrowers and Towards Justice, (February 2026) page 11.

<u>The Current Economic Environment</u>
Despite the additional costs and lack of uniformity for RNPL, the current economic realities persist, and market demand is undeniable. Supporters of this bill criticize RNPL's failure to address the root causes of the problem—housing affordability, rising costs of living, and stagnant wages. But the root causes of the problem are not within the purview of RNPL to solve. For a borrower whose rent is the bulk of one paycheck, eliminating the option for renters to split their rent and start the month puts the most vulnerable renters in a precarious position for at least 14 days if any unanticipated expenses are incurred, assuming a two week pay-cycle. This can force renters into more credit card debt, or to seek out other predatory and unregulated financial products that are more costly or perpetuate a debt cycle.

While the effective interest rates discussed above are far above any credit card, these are not apples-to-apples comparisons. The short-term affordability of approximately $34[12] per month may be more accessible to a user who does not have a strong credit score. The RNPL fees are also less than late rent payment fees imposed by many landlords which is typically 5% of the rent.[13] Simply put, there may be times when tenants would pay the $34 to give themself a little more of a cash cushion that month, than take out a different financial product that could be more harmful if the need does arise. Flex says most of its customers are lower-income renters with weaker credit profiles. The company reports a median credit score of 604 among its users and says about one in three customers work[] more than one job to make ends meet.[14]

Given the current economic instability, a safer, and regulated RNPL product, on a need-to-use basis may provide consumers the space they need to make it through the month financially. And while RNPL does not solve the root problem of systemic cost of living incompatibilities, reducing consumer options to a temporary and transparently priced financial product can leave many households with nothing to pay the rent.

AMENDMENTS FOR CONSIDERATION

The committee recommends amending the bill to replace a broad prohibition on providing loan financing for rent of residential real property with providing the following guardrails to address marketplace concerns while meeting the current economic climate:

1. **Scope**

   This bill shall apply to all providers of rent now, pay later services.

2. **Late fees and Late Payments**

- Limit any late fees for a missed payment to no more than 50% non-financed amount. The non-financed amount refers to a subscription fee or flat fee that is independent of the

[12] $34 is used as an illustrative amount based on the prior example. The actual fee varies based on the RNPL framework and rates, such as subscription and percent of the rent.
[13] https://www.truedoorpm.com/late-fee-on-late-rent/. Last accessed March 31, 2026.
[14] Sweet, K. and Lewis, C. "Renters use 'rent now, pay later' services to manage monthly payments, but fees raise concerns". *Associated Press.* https://apnews.com/article/rent-now-pay-later-paycheck-1180a8e30f1bf516bdc46508a1792096. Last accessed March 31, 2026.

amount borrowed by the user. If no such fee is applicable, the late fee shall not exceed .5% of the rent.

- A borrower shall have until the 5th day of the following month to cure any late payment by paying the full amount of their balance.
- No interest or other charges shall accrue on any late fee or remaining balance.
- The service shall discontinue until a borrower is current on their payments.

These amendments are intended to balance the needs for access, flexibility for payments, and to prevent compounding harms for borrowers who fall behind.

3. **Allow users to select the second payment day before the end of the month**

- Borrowers shall have no less than 2 calendar days from the selected payment date to change their next second payment day.

This amendment will give the borrower the ability to better manage their cash obligations without impeding basic accounting principles. Pay dates are not the same for everyone; gig-workers, tip-dependent positions, and seasonal roles may have varying dates for the paycheck.

4. **Specification of "passthrough fees"**

Passthrough fees are fees imposed by a residential building's property management software on the service provider. To prevent any potential unsubstantiated fees, the following amendments shall be specified:

- Fees that are not actually incurred for the purposes of completing the rent transaction, whether by the provider, or a landlord, shall not be charged to a borrower.

5. **Disclosures**

Clear disclosures in comprehensible language accessible to the least sophisticated consumer, and provided in the languages designated in Cal.Civ. Code §1632 shall be provided to the borrower prior to enrolling in services. The disclosures must contain, at a minimum:

- All fees and possible fees, such as, but not limited to, credit card or passthrough fees, service fees, and loan origination fees.
- Information regarding how "rent" is determined, specifically, if utilities are included in the payment, these costs are calculated as part of the loan fee.
- Clear information that the grace period for rent payments is independent of the time provided to cure in the event of a late payment, thus, failure to cure a late payment within the grace period of the rent payment will result in late fees or other consequences pursuant to the borrower's rental agreement and applicable laws.
- Arguments from both sides of the issue have weighed in about disclosures of APR and effective APR. Requiring disclosure of effective APR is mechanically impossible; consider the fluctuating loan amount if utilities are included, the mix of non-financing

fees (i.e. monthly subscription fee), and the varying date selected for the second payment. While advertising a 0% APR by virtue of labeling charges as "fees" is not a fair representation for a borrower trying to responsibly manage their limited assets by comparison shopping.

The committee will work with all stakeholders to actualize the language necessary to execute the intention of this, and all other amendments. The intention of this section is to provide potential borrowers with clear information about the product to prevent accrual of debt or financial harm caused by failure to understand the terms of product.

6. **Prohibit initiating multiple transactions on bank accounts**

- Without express permission a, service provider shall not initiate more than one transfer of funds from a borrower's bank account. In the event that the borrower's account does not have sufficient funds, or otherwise does not complete the transaction, the service provider shall immediately notify the borrower of the attempted transaction using the borrower's preferred method of communication.

- For borrowers who choose to use automatic withdrawal services from their bank account, the service provider shall send a reminder notification to the borrower using their preferred method of communication no less than 2 calendar days before the date of the transaction.

This amendment is intended to avoid and reduce the accumulation of NSF fees.

7. **No minimum subscription periods.**

- Providers shall not require any minimum subscription terms, impose penalties for termination of services, nor impose conditions or other incentives to encourage retention.

This amendment is intended to prevent any possible forced indebtedness on borrowers.

REGISTERED SUPPORT / OPPOSITION:

Support: Last verified 4/2/2026

Consumer Attorneys of California
LA Voice
Legal Aid Foundation of Los Angeles

Opposition: Last verified 4/2/2026

Apartment Association of Orange County
East Bay Rental Housing Association

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