Date of Hearing: June 21, 2010

ASSEMBLY COMMITTEE ON BANKING AND FINANCE
Mike Eng, Chair
SB 1146 (Florez) – As Amended: May 27, 2010

SENATE VOTE: 36-0

SUBJECT: Finance Lenders

SUMMARY: Establishes the Pilot Program for Affordable Credit Building Opportunities that would allow licensees under the California Finance Lender Law (CFLL) to participate in the pilot program involving unsecured consumer loans less than $2,500 until January 1, 2015. Specifically, this bill:

1) Provides that any California Finance Lender (CFL) that wishes to participate in the pilot program shall file an application with the commissioner of the Department of Corporations (DOC) and pay a fee calculated by the commissioner of DOC to cover the costs necessary to administer the pilot.

2) Specifies that a licensee may not make a loan, nor use a finder without prior approval to participate in the program.

3) Requires that any loan made pursuant to the pilot project must comply with the following:

   a) The loan has a minimum principal amount upon origination of $250 and is not more than $2,500, as specified;

   b) The interest rate of each loan would be capped at 30% for the unpaid balance of the loan up to and including $1,000 and 26% for the unpaid balance of the loan in excess of $1,000;

   c) Delinquency fees would be capped at the lesser of 10% of the amount delinquent payment due or at an amount not to exceed: (1) $15 for a delinquency of seven days or more; or (2) $20 for a delinquency of 14 days or more;

   d) Origination fees would be capped at the lesser of 5% of the principal amount of the loan or $65. A licensee would be prohibited from charging the same borrower more than one origination fee in any six-month period;

   e) The loan term is: (1) 90 days for loans whose principal balance upon origination is less than $500; (2) 120 days for loans whose principal balance upon origination is at least $500, but is less than $1,500; and (3) 180 days for loans whose principal balance upon origination is at least $1,500;

   f) The licensee must report each borrower's payment performance to at least one of the three major credit bureaus; and

   g) The licensee must underwrite each loan and may not make a loan if it determines that the borrower's total monthly debt service payments exceed 50% of the borrower's gross

monthly income. In underwriting the loan, the licensee must assess the borrower's willingness and ability to repay and must validate a borrower's outstanding debt obligations, as specified.

4) Requires licensees to comply with requirements of any applicable law, including specific federal regulations.

5) Allows a licensee to charge a delinquency fee that is the lesser of 10% of the amount of the delinquent payment due or one of the following amounts:

   a) For a period of default no less than 7 days, an amount not in excess of $15; or

   b) For a period of default no less than 14 days, an amount not in excess of $20.

6) Provides that prior to disbursement of the loan funds, the licensee must either offer to the borrower a credit education program that has been reviewed and approved by the commissioner, or invite the borrower to such a program that has been reviewed and approved by the commissioner.

7) Prohibits the offering, selling or requiring the borrower to contract for credit insurance.

8) Allows the use of "finders" defined as a person who brings a licensee and a prospective borrower together for the purpose of negotiating a loan contract.

9) This bill permits finders to perform certain specified services for a licensee, including, among other things:

   a) Distributing or publishing preprinted, pre-approved written materials relating to the licensee's loans;

   b) Providing written factual information about loan terms, conditions, or qualification requirements to a prospective borrower;

   c) Entering the borrower's information into a preprinted or electronic application;

   d) Assembling credit applications for submission to the finance lender; and

   e) Contacting the licensee to determine the status of the loan application.

10) This bill prohibits a finder from doing any of the following:

   a) Providing counseling or advice to a borrower or prospective borrower;

   b) Providing loan-related marketing material that has not been previously approved by the licensee to the borrower; or,

   c) Interpreting or explaining the significance or effect of any of the marketing materials or loan documents the finder provides to the borrower.

11) Prohibits a fee being paid to a finder in connection with a loan application, until and unless the loan is consummated, prohibits a fee being paid to a finder based upon the principal amount of the loan, creates a fee compensation structure for finders based upon the number of loans issued per location per month, and prohibits the licensee from passing on to the borrower any finder fee, or portion thereof.

12) Establishes a cap on what can be paid to finders based on number of loans referred.

13) Requires the finder to provide a disclosure to the prospective borrower stating that a fee may be paid by the licensee to the finder and containing the contact information of DOC if the borrower wishes to make a complaint.

14) Requires a licensee that uses the services of a finder to provide the commissioner with specified information regarding those finders.

15) Requires that all arrangements between a licensee and a finder must be set forth in a written agreement between the parties which must contain a provision requiring the finder to comply with all applicable regulations and provides that the commissioner may examine the operations of each licensee and finder to ensure compliance with the bill. If the commissioner determines that a finder has violated the provision of this bill, the commissioner may terminate the written agreement between the finder and the licensee, and if the commissioner deems that action in the public interest, to bar the use of that finder by all licensees participating in the pilot program.

16) Requires the DOC to provide specified legislative committees with a report by January 1, 2014 regarding the Pilot Program that would contain specified information.

17) Requires the commissioner to conduct a sample survey of borrowers who have participated in the pilot program to better understand the borrower's experience.

18) Increases the length of time licensees may be required to retain advertising copy to two years and would permit the commissioner to direct any licensee to submit advertising copy to the commissioner for review prior to its use.

EXISTING LAW

1) Under the CFLL [Financial Code 22000 et seq], caps interest rates that may be charged by CFLL licensees who make consumer loans under $2,500. Those caps range from 12% to 30% per year, depending on the unpaid balance of the loan. (All further references are to the financial code).

2) Caps administrative (origination) fees that may be charged for such loans at the lesser of 5% of the principal amount of the loan or $50.

3) Caps the amount of delinquency fees that CFLL lenders who make consumer loans under $5,000 may impose. Those fees are capped at a maximum of $10 on loans that are more than 10 days delinquent and $15 on loans 15 days or more delinquent. Existing law requires CFLL lenders to prominently display their schedule of charges to borrowers.

4) Provides for filing fees in small claims actions and specifies increased filing fee amounts based on the dollar amount of the demand and whether the party has filed more than 12 other small claims in the state within the previous 12 months.

5) Provides that the DOC may require a CFLL licensee to retain advertising copy for a period of 90 days from the date of its use. Existing law prohibits advertising copy from being used after its use has been disapproved by the commissioner and the licensee is notified in writing.

FISCAL EFFECT: According to the Senate Appropriations Committee, costs to DOC will be absorbed via licensing fees.

COMMENTS:

Need for bill.

According to the author:

> Enacted in the 1950's, based on statutes from the 1920's, the CFL is archaic and needs reform. For example, its restrictions on interest rates, fees, and marketing partnerships for loans in the $250 to $2500 range effectively discourages lenders from making loans that would otherwise be a fair alternative to payday loans. As a result, today there are very few fully amortizing, credit building loans in the $250-$2500 range and even fewer providers. Instead, the vast majority [of] CFL licensees only make loans above $2500, precisely because there is no cap on interest rates for loans over $2500. Lenders simply do not believe they can make a profit below $2500, given current CFL law. Thus, if a lender wants to make small loans, they become a pawn broker or payday lender (who as an industry makes over 10 million loans to California residents each year). The result: Californians have only one option—pay-day loans—and no opportunity to build or repair their credit. . . . Californians need access to credit, now more than ever. But, they also need alternatives that are safe and affordable, provide credit education and help borrowers build credit. SB 1146 will hopefully allow consumers who need small loans an alternative to a pay-day loan option, which likely causes more of a financial burden when payments cannot be made.

Background.

This bill sponsored by Progreso Financiero seeks to establish a pilot program under the CFLL to fill the gap in loan products that exist between payday loans of $255 and CFL loans of $2,500 or more. Between those two amounts their is little incentive on the part of potential lenders to offer loans due to stringent restrictions on fees, marketing and interest rates. For example, in 2008 98,665 CFL loans under $2,500 were originated, whereas almost 12 million payday loan transactions occurred. This bill intends to fill this gap by allowing some flexibility on the fees and interest rates associated with the loans in this pilot project, with an enhanced underwriting process to determine borrower's repayment ability, something often lacking for non-bank loans, specifically payday loans. Additionally, the sponsor views the pilot program as a way to help the unbanked and underbanked build credit files in order to advance to more traditional lines of credit by the requirement that loan performance be reported to the credit reporting agencies. No other lending law requires reporting of payment performance. The sweet spot of this bill is that it attempts to make small dollar lending a profitable business so that more options will become available, while creating lending standards that will make it a responsible product under certain conditions.

A point of contention between the sponsor and several consumer organizations is the authorization to use finders to generate loans. In the context of this bill a finder, under certain circumstances, and under strict requirements would be allowed to refer potential borrowers to the licensee for loans. The sponsor contends that the use of finders is necessary in order to keep the overhead costs of such a lending program small, so that the rates and terms of the loans can remain competitive. Various consumer organizations have been concerned with these provisions due to the potential that a finder would steer a borrower to a loan under this pilot project that could be potentially expensive, or that marketing for these products could become so aggressive as to convince consumers not in the market for a loan to apply for one under this pilot. As currently drafted, these consumer organizations are neutral. So as to provide clarity to the reason for their neutrality the following are passages from a letter from the Center for Responsible Lending stating their reasons for being neutral:

> *Although we continue to have some reservations, we have removed opposition contingent upon the specific compromises reached. We are hopeful that the bill will lead to more lenders offering affordable and responsible credit alternatives for borrowers currently relying on even more expensive payday loans, while eliminating certain abusive or unfair practices that could otherwise undermine the program. We strongly urge, therefore, that the bill be maintained in its current form, and that the compromises that led to the removal of our opposition not be disturbed.*
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> *In its current form, SB 1146 proposes to amend the California Consumer Finance Lenders' Law with the stated intent of stimulating more lenders to make responsible loans between $250 and $2,500. This would be accomplished by creating a new pilot program to allow DOC-approved CFL licensees to charge higher interest rates and fees than allowed under existing law, and to allow contractual relationships with "finders" – unlicensed retailers who would be paid on a commission basis to market these loans to consumers. Under the bill, the allowable annual percentage rates (APRs) on such loans (including interest and origination fees, but not late fees) would range from just over 30% to just over 60%, with most rates falling between 35% and 40%.*
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> *In exchange for allowing higher rates, fees and new marketing channels, the bill would require that loans originated under this pilot program meet certain standards, including robust underwriting, minimum terms that vary with the size of the loans, reasonable and proportional limits on the amount and frequency of late fees, and prohibitions on expensive add-on fees like credit insurance, which provide virtually no tangible benefits to borrowers. Including these standards in the pilot program was and remains crucial to the removal of CRL's opposition.*
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> *Under current law and regulations, lenders offering loans between $250 and $2,500 are at a competitive disadvantage because both smaller and larger loans are much more profitable than those in the $250-$2,500 range, even if the loans in this range are profitable. SB 1146 does not fix this fundamental problem. These small loan lenders ($250 – $2,500 range) compete at the low end with 459% APR payday loans and at the higher end with CFL loans that have NO interest rate limits, often resulting in car title loans with interest rates of 72 to 120 percent for loans secured with a borrower's car.*
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> *We applaud the author's goal to provide wider availability of affordable and responsible small loan products. Such products are particularly important for those borrowers who*

are limited in their access to responsible credit due to the lack of a credit score or the presence of credit blemishes. Although the best way to jump start more loans in the $250-$2,500 range would be to more strictly regulate payday loans and the loans above $2,500, SB 1146 offers a pilot program aimed at increasing access to credit. In its current version, the pilot program includes carefully negotiated standards to minimize the potential for abuse or harm. The pilot program will be evaluated for its success in responsibly meeting these credit needs before it concludes.

CRL removed opposition to the bill contingent upon resolution of extensive negotiations. In conjunction with the Chair and staff of the Senate Judiciary Committee, we agreed to remove opposition to the bill based on the following compromise agreement:

- *We agreed to accept the sponsor's proposal with respect to the use of unlicensed* ***finders*** *that would allow CFL lenders participating in the program to market their products to customers shopping in retail stores like Best Buy and Sears. As detailed in our prior letters, this is the issue that has caused perhaps the most concern among opponents. Specifically, we have been concerned that incentivizing retailers to sell these relatively high-cost loans to sell more product could lead to finders aggressively marketing the pilot's loan products to potential borrowers, including many borrowers who may not be "shopping" for a loan at all.*

- *In order to accept the use of unlicensed finders in this program, we negotiated that the following three amendments be made to minimize to the extent possible the likelihood of abuses with the loan product itself:*

    - ***Robust underwriting.*** *In order to insure that pilot program loans are offered only to consumers who can afford to repay the loans, robust underwriting is necessary. The analysis of whether the consumer can afford to repay must be based upon the consumer's verified income, as well as all verified and reported debt obligations (other than loans from families and friends). CRL must oppose the bill if it is amended to eliminate the robust and fulsome underwriting set forth in the current bill language.*

    - ***Prohibition of credit insurance products****. Credit insurance is one of the most widely abused methods for increasing revenue for lenders, while providing little to no benefit to borrowers. Credit insurance is more frequently sold with for larger loans, such as a mortgage or car loan, and would seem to be an extremely questionable need for a small dollar loan. Such products are extremely profitable for lenders, but offer almost no benefit to consumers. For example, in 2006 (the most recent data that could be found on the CA Department of Insurance website), the average loss ratio for credit unemployment insurance in California was only 3.5%, with a three-year average over 2004-2006 of 3.9%. Moreover, most policies have extensive gaps that significantly limit a borrower's ability to receive the benefits, including limitations on the ability to make claims and on the scope of claims. By contrast, the National Association of Insurance Commissioners suggests a target 60% loss ratio.*

    As such, credit insurance simply should not be sold in conjunction with a loan that is described as a model for responsible lending. CRL must oppose the bill if *it is amended to allow credit insurance products to be offered or sold in connection with the loans provided under the pilot program.*

- ***Limitation on duplicative or excessive late fees.*** *Although some measure of late fees can be appropriate, such fees must not be duplicative or excessive. We have accepted the sponsor's proposal that late fees can be charged twice per month. However, in order to control the size of such fees, they must be reasonable and proportionate to the size of the late payment that was missed, similar to the requirements of the CARD Act. The Senate-passed bill caps late fees at 10% of the total late payment. CRL must oppose the bill if it is amended to allow duplicative or unreasonable late fees.*

To conclude, we have worked hard to create compromises on this legislation to remove CRL's opposition to this bill. While we would like to see this bill move forward to create new small-dollar lending opportunities, it is critical that adequate consumer protections are in place to make these transactions responsible loans. Opening up some of the finely-tuned agreements would require us to revert to our OPPOSE position.

Unbanked & Underbanked.

A driving force behind this bill is that many people do not have access to mainstream credit options due to minimal credit history. This history is often due to a lack of relationship with a banking institution through a checking or savings account. Ironically, a consumer without a checking account would not be able to get a payday loan as payday loans are contingent upon the borrower having a checking account so in some cases an unbanked borrower could not have very many options at all.

The unbanked, or those without a transaction account with a financial institution constitute approximately 22 million, or 20% of Americans. This population spends $10.9 billion on more than 324 million alternative financial service transactions per year. Bearing Point, a global management and technology consulting company, estimates that the unbanked population expands to 28 million when you include those who do not have a credit score. In addition, Bearing Point, puts the underbanked population, defined as those with a bank account but a low FICO score that impedes access to incremental credit, at an additional 45 million people. Although estimates find that at least 70% of the population has some type of bank account, these individuals continue to use non-bank services, ranging from the purchase of money orders, use of payday lenders, pawn shops or sending of remittances. The Federal Reserve Board has noted that 50% of current unbanked households claim to have had an account in the past.

In California, 28% of adults do not have a checking or savings account, according to the U.S. Census. In San Francisco, the Brookings Institution estimated that one in five San Francisco adults, and half of its African-Americans and Hispanics, do not have accounts. Recent market research indicates that Fresno and Los Angeles have the second and third highest percentages of un-banked residents in the country.

Nationwide, the unbanked are disproportionately represented among lower-income households, among households headed by African-Americans and Hispanics, among households headed by young adults, and among renters. A Harvard Poll of Hurricane Katrina evacuees in the Superdome found that seven out of ten did not have a checking or savings account.

The unbanked poor pay more to conduct their financial lives. Check cashing outlets can charge between 2-3% of the face value of a check. So, an individual who makes $30,000 a year can pay $800 a year in fees to cash their payroll checks and pay their bills. The lack of access to mainstream banking costs both consumers and society, as well as, the financial community that misses out on this untapped market.

Families without accounts don't have a safe place to keep their money. They may walk around with wads of cash in their pockets, or keep it at home in a coffee can. Robberies are more prevalent around check cashing outlets. A burglary, or a fire, could cost them their life's savings in a matter of moments. A bank account helps people take the first step onto the path of savings and mainstream financial products. Without an account, it is much more difficult to get well-priced car loans, credit cards, or mortgages-the exact financial tools needed to climb up the economic ladder. Stable societies are built on financially stable families who have access to high-quality, low-cost financial services.

For a more comprehensive review of the unbanked, please read the committee's April 16, 2010 analysis of AB 2581 (Bradford).

Amendments.

In reviewing the provisions of this bill, committee staff recommends some additional amendments, clarifications and fixes to provide greater clarity and workability.

Amendments needed to provide clarity:

1) On Page 5, lines 7-9 provides that licensees must comply with requirements of any applicable law, including requirements of Part 433 of Title 16 of the Code of Federal Regulations. The reference to the federal regulations concern the Preservation of Consumers' Claims and Defenses when a loan transaction is contingent upon the purchase of good or service. For example, a consumer acquires a loan to purchase a washer or dryer and that item is defective in some way. Federal law provides in that case the consumer has claim against the creditor in the same way they do against the retailer. Additionally, Part 433 requires disclosure to the consumer regarding their rights when the transaction is based upon purchase of goods. This provision appears to be overly broad. First, if a licensee under this program used a finder such as a retailer to refer a borrower for a loan to purchase a retail item (similar to applying for credit card at a retail store to acquire goods at that location) then it could be conceivable that the loan was originated for the purpose of acquiring goods or services with that retailer. In that case, because the relationship is so direct, in that the finder (retailer in this example) has referred the potential borrower, not out of concern for the financial well being of the consumer, but for the purpose of purchasing some items. The way this provision is written the lender under the pilot would be required to issue the disclosures regarding liability even if the transaction is originated completely separate from the use of a finder. This assumes that the lender is liable even in cases where the loan originated absent the use of a finder, or absent a retail relationship. Staff recommends either one of two options to address this concern:

   a) "The licensee complies with the requirements of any applicable state or federal law."; or,

   b) "The licensee complies with the requirements of any applicable law, including the requirements of Part 433 of Title 16 of the Code of Federal Regulations, if a retailer acting as a finder is used to refer the borrower to the licensee for a loan for the purpose of purchasing goods or services from that retailer."

2) Page 7 contains the steps a licensee must take in order to underwrite the loan and verify the borrowers debts and income. This language requires the following:

   a) The licensee must seek information and documentation regarding all of the borrowers current debt obligations whether or not they appear on the borrowers credit report;

   b) Verification of the borrowers credit information using a credit report and information from other available and reasonable reliable electronic debt verification services; and,

   c) Income verification from electronic means that provides reliable evidence of the borrower actual income or from IRS Form w-2, tax returns, payroll receipts, bank statements, or other third party documents that provide evidence of the borrower's actual income.

These requirements create several potential problems. First, the licensee is required to seek out all of the borrowers debt obligations whether they appear on a credit report or not. This assumes that the licensee must subject to borrower to some type of financial interrogation. Additionally, a licensee is required to seek evidence of the borrowers "actual" income. After using paystubs and other means one must assume that they have a good idea of the borrowers income. Requiring an "actual" standard implies that in spite of all available evidence, the borrower may have more or less income than claimed and that the licensee should be aware of such facts. Everyday thousands of consumers apply for credit cards at retail locations in order to receive some discount or preferred terms for purchasing goods at that retailer all without the complex underwriting required here. Lastly, the underwriting process in this bill requires that the licensee must verify the borrower's debt, not only using a credit report, but other reasonable electronic means. If one option of reviewing credit is sufficient then why require both? In all likelihood in the context of the borrowers who would seek loans under this pilot project, they most likely will not have a credit report that provides enough information to make a credit decision. Progreso Financiero, the sponsor, uses a proprietary credit scoring model that examines 600 data points that they believe can out perform traditional FICO scores.

In order to provide clarity to the underwriting provisions, committee staff recommends the following amendments:

> (3) (A) The licensee shall underwrite each loan to determine a borrower’s ability and willingness to repay the loan pursuant to the loan terms, and shall not make a loan if it determines, through its underwriting, that the borrower’s total monthly debt service payments, at the time of origination, including the loan for which the borrower is being considered, and across all outstanding forms of credit ~~known to the~~ ***that can be independently verified by the*** licensee, ~~except as indicated in clause (ii) of subparagraph (B),~~ exceed 50 percent of the borrower’s gross monthly income.
>
> (B) (i) The licensee shall seek information and documentation pertaining to all of a borrower’s ~~current debt service~~ ***outstanding debt*** obligations ~~during~~ the loan application and underwriting process, ***including loans that are self reported by the borrower but not available through independent verification.*** The licensee shall verify that information using a credit report from at least one of the three major credit bureaus ~~and also~~ ***or***

through other available and reasonably reliable electronic debt verification services ***that provide reliable evidence of a borrowers outstanding debt obligations.***

(ii) ~~In considering the borrower's debt-to-income ratio, the licensee shall consider and include all reported debt obligations, except for loans from friends or family members, whether or not the debt obligation appears on the borrower's credit report or through other verification services.~~ ***The licensee shall not be required to consider, for purposes of debt to income ratio evaluation, loans from friends or family.***

(C) The licensee shall also verify the borrower's income that the licensee relies on to determine the borrower's debt-to-income ratio using information from either of the following:

(i) Electronic means or services that provide-reliable evidence of-the borrower's ~~actual~~ income.

(ii) Internal Revenue Service Form W-2, tax returns, payroll receipts, bank statements, or other third-party documents that provide reasonably reliable evidence of-the borrower's ~~actual~~ income.

3) As mentioned previously in this analysis, the issue of finders has been controversial. In response to the controversy the bill contains numerous detailed prohibitions and requirements for persons acting as finders. Among these provisions are prohibitions on finders from providing advice on loan terms or engaging in other details of the loan transaction other than providing introduction between the borrower and lender. Additionally, prohibits compensation to the finder based on the terms of the loan. It also includes a schedule of fees that the lender may pay to the finder based on the volume of loans referred. It seems overly prescriptive to have a list of prohibited acts and practices, yet at the same time proscribe a menu of what the licensee can pay a finder under what would be a negotiated contract. This statutory menu outlining what the licensee can pay for referrals seems unnecessary given the multiple other consumer protections in the bill. Therefore, staff recommends striking that language as it occurs beginning on page 10 line 24 through page 11, line 21 inclusive.

4) The pilot project authorized under this statute, sunsets on January 1, 2015 if not extended by future legislation. This could create a unique situation where the authorization to perform the duties that this bill would allow would abruptly come to an end, including the potential use of powers by DOC to regulated licensees. If this program were not to be extended, what would happen to the repayment of loans originated prior to the sunset date, but still outstanding when the statute expires? Technically, a licensee would no longer be licensed under this program so would they be able to collect the outstanding debt after the program expires? This could potentially be resolved by drafting language that if the sunset of this program occurs, the licensee is still authorized to recover outstanding debts, and the DOC is still authorized to enforce consumer complaints or other actions until outstanding loans are cleared. Committee staff will work with Legislative Counsel to address this concern.

Committee staff is aware that the version of this bill currently under consideration, *sans* amendments, represents, what some have described as a delicate compromise between consumer groups and the sponsor. The amendments proposed in this analysis could in some way alter the position of entities that are currently neutral or in support. In light of these concerns, it is important to note that the committee amendments proposed in this analysis attempt to achieve balance by providing clarity, while ensuring that consumer protection is maintained. The sponsor of this measure also approached the committee to request additional amendments. These amendments were evaluated, and while there is some small overlap with what the committee has suggested, the amendments offered by the sponsor were not deemed necessary to make this pilot program work. However, the committee recommends further discussion on a point relating to late fees.

Currently, the bill allows a late fee that is the lesser of 10% of the delinquent payment or $15 if the payment is 7 days late, or $20 if the payment is 14 days late. In most cases, the lesser amount will be the 10% of the late payment amount. A late fee is not only a measure to recoup the costs of outstanding capital on the part of a lender, but also serves as a deterrent to the borrower to being late on a payment. On a $50 dollar per month payment, this late fee would be $5. Does this serve as a sufficient deterrent? Committee staff is not suggesting that the $15 or $20 late payment schedule is fair. Based on a percentage this could amount to 50-60% of the payment amount. This 10% late fee provision was added during amendments that took place on the Senate Floor and as far as staff is concerned, have not been discussed in a policy committee. Therefore, a more appropriate option may be a late payment schedule on a sliding scale that is based on the amount of the late payment, making the payment amount and the late fee actually relative to each other. While staff does not have a tangible solution, it is recommended that all parties continue to discuss this point to find a workable solution. Additionally, if a sliding scale late fee schedule can be worked out, the committee would also recommend that a disclosure of that schedule be provided to the borrower at loan origination.

REGISTERED SUPPORT / OPPOSITION:

Support

Office of the Treasurer & Tax Collector (San Francisco)
Silicon Valley Community Foundation – Support with Caution

Opposition

None on file

Neutral

Center for Responsible Lending
Consumers Union

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