

ASSEMBLY THIRD READING
AB 2350 (McKinnor)
As Amended April 28, 2026
Majority vote

SUMMARY

This bill provides requirements for licensees under the California Financing Law (CFL) when providing a loan agreement to advance rent payments for residential real property under a split loan agreement (a.k.a Rent Now Pay Later, RNPL)

Major Provisions

This bill:

- 1) Narrowly applies to certain lenders by specifying that in addition to being a lender under the CFL, a "provider" must also engage in activity specific to RNPL services.
- 2) Prohibits more than two installment payments in a 30-day period.
- 3) Limits any applicable late fees to 50% of the subscription or flat fee independent of the amount borrowed by the consumer. If there is no subscription or flat fee, any fee for a missed payment is limited to 0.5% of the rent amount.
- 4) Excluding subscription and late fees, prohibits fees not actually incurred by the provider for the purpose of completing the rent payment transaction (e.g. credit card payment processing fee and passthrough fees required by rental payment management platforms are permitted).
- 5) Give the consumer until the fifth day of the month after the service was originated to cure any missed payment by paying the full amount of the balance owed.
- 6) Requires the provider to discontinue service until the consumer is current on the amount owed.
- 7) Prohibits interest and other charges on any late or remaining balance for the service.
- 8) Requires the provider to allow the consumer to select the second installment payment date within 30 days of the first installment payments.
- 9) Prohibits minimum subscription terms and imposing conditions to incentivize retention.
- 10) Prohibits more than one attempt at automatic withdrawal from a consumer's bank account(s) and requires immediate notification to be provided to the consumer if their account(s) have insufficient funds or if the transaction is otherwise not completed.
- 11) Prohibits reporting of delinquent payments to any consumer reporting agency.
- 12) Requires clear disclosures of:
 - a) Each fee and possible fee;
 - b) An itemized list of every charge that is included in the calculation of the rent amount; and

- c) Clear information to convey that the grace period to cure under this title may be longer than the grace period for late rent payments under the lease agreement and curing after the grace period of the lease may result in late rent charges.

13) Requires disclosures to be made available in the languages designated in California Civil Code section 1632.

14) Prohibits a provider from advertising a 0% APR for services unless the services does not include any interest flat fees, or subscription fees.

COMMENTS

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.

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 is \$5.881/gal⁴ and shifting as the war in Iran continues indefinitely.

While the affordability gap continues to widen, some fintech⁵ 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 or a date selected (depending on the provider) along with the remaining service fee. This AP News article uses this example to illustrate the framework:

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.

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.

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.

*"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 management platforms 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:

"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

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. Section 1601 et seq.

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.

This Bill now and Moving Forward

The author has taken considerable steps to listen to all stakeholders and amend the bill to its current form from an outright ban. This bill now directly addresses the issues that gave rise to concerns over the initial consumer harms. Since leaving the last policy committee, the author has worked to balance the strong need for consumer protection, while finding common ground for safe implementation. However, due to congested timing, the language of this bill continues to be refined with a goal of precision of scope and thoroughness of protection. Engagement has been ongoing in good faith by all parties.

According to 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

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

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."

Arguments in 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."

Legal Aid Foundation of Los Angeles.

Arguments in Opposition

(The following are excerpts taken from an opposition letter from a provider of RNPL submitted to introduced language, however, these arguments are still relevant to the bill in its amended form, citations omitted.)

"...In a survey of more than 18,000 Flex users who cancelled their membership, 38 percent said they cancelled because their financial situation had improved and they no longer needed the product. Products designed to create dependency do not generate that outcome. Flex's median lifetime usage is 3 rent payments; the average user pays rent through Flex 3.5 times per year. This is episodic, need-based usage — not the continuous monthly reliance that would characterize a debt cycle.

A second study, to be published in April 2026 by MetroSight, an independent economic research firm, examines property-level outcomes across 488 multifamily properties in 25 states using third-party property management operational data. Multiple methods were used and results were consistent across all approaches.

The property-level results are economically significant across every measured outcome:

- 1) *On-time payments:* Properties offering Flex increased the share of units current on rent by up to 4.5 percentage points and reduced the share 30 or more days late by up to 4.1 percentage points.
- 2) *Resident stability:* Median resident tenure increased by up to 6.7 months. Vacancy rates fell by up to 4.4 percentage points.
- 3) *Financial performance:* Net operating income (NOI) improved by up to 8.5 percentage points as a share of rent roll revenue. Turnover costs fell by up to 3.9 percentage points. Collection costs fell by 0.6 percentage points.

California faces a shortage of millions of affordable housing units.¹¹ Affordable housing is among the hardest to finance and develop: in California, developers routinely layer up to 15 separate funding sources to make a single project pencil, and operating margins at fully affordable properties are structurally thin.¹² In that environment, a tool that improves net operating income by up to 18 percent — at zero cost to the property — is not a marginal amenity. It improves the operating risk profile of affordable properties, making them more viable to develop, finance, and preserve.

The logic compounds: financially stable renters produce financially stable properties. Financially stable properties attract the capital that builds more of them.

Flex is already available in one in five affordable housing properties nationwide."

Flexible Finance, Inc. (Flex)

FISCAL COMMENTS

Minor and absorbable costs to the Department of Financial Protection and Innovation (DFPI) to update examination procedures and guidance for lenders and provide enforcement.

VOTES

ASM BANKING AND FINANCE: 7-0-2

YES: Valencia, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Schiavo, Harabedian

ABS, ABST OR NV: Chen, Dixon

ASM APPROPRIATIONS: 10-3-2

YES: Wicks, Aguiar-Curry, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover, Ta, Tangipa

ABS, ABST OR NV: Arambula, Dixon

UPDATED

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