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Res. No. 1747

Resolution calling on the United States Congress to pass and the President to sign S.172, also known as the Stop Abuse and Fraud in Electronic Lending Act of 2013.

By Council Members Jackson, Chin, Eugene, Gonzalez, James, Koppell, Lander, Palma, Richards, Rose and Williams

Whereas, The New York State Department of Financial Services defines a payday loan as "a relatively small, high-cost loan, typically due in two weeks and made with a borrower's post-dated check or access to the borrower's bank account as collateral"; and

Whereas, Because the loans are due in such a short amount of time, the fees associated with payday loans effectively create annual percentage rates that can exceed 400 percent; and

Whereas, Borrowers unable to repay their debt within the agreed-upon time are forced to either renew or extend their loan, or take out another loan to cover the debt; and

Whereas, Payday lenders will frequently request access to a borrower's bank account so they can make pre-authorized electronic withdrawals to cover the loan amount, but only withdraw amounts that ensure the loan remains unpaid and accrues interest; and

Whereas, Payday loans are generally viewed as predatory financial services because of their high fees and tendency to target low-income communities; and

Whereas, Payday loans are illegal in New York State, which has a civil usury cap of 16 percent and a criminal usury cap of 25 percent per year; and

Whereas, Despite the aggressive restrictions in New York State, many lenders circumvent the law by setting up online payday loan businesses in states, Indian reservations and countries with looser regulation; and

Whereas, According to a report by the Pew Charitable Trusts, approximately three million Americans took out a payday loan online in 2010; and

Whereas, In some cases, consumers don't reach the payday lender's website at all, but a rather a "lead generator," who auctions the consumer's loan application to real payday lenders and sells the consumer's personal information to other parties; and

Whereas, If passed, S. 172, also known as the Stopping Abuse and Fraud in Electronic (SAFE) Lending Act, would address this issue by closing loopholes that payday lenders exploit by offering their services online; and

Whereas, The SAFE Lending Act would give consumers more control over pre-authorized electronic withdrawals by requiring the consumer's written authorization designating a specific person to complete such transactions; and

Whereas, The SAFE Lending Act would also permit consumers to cancel withdrawals prior to the debit when they are associated with payday loans; and

Whereas, To prevent online payday lenders from exploiting the lax regulation of other states and countries and charging excessively high interest rates, the SAFE Lending Act would require payday lenders to abide by the laws of the state in which the consumer lives; and

Whereas, The SAFE Lending Act would also ban the use of lead generators, and prevent such businesses from collecting and distributing a consumer's private information; and

Whereas, Additionally, the SAFE Lending Act would grant the Consumer Financial Protection Bureau the authority to investigate and, when appropriate, shut down payday lenders that are operating in violation of the law; and

Whereas, Finally, the SAFE Lending Act would direct the United States Government Accountability Office to study the availability of capital on Indian reservations and the impact of payday loans on members of Indian tribes; and

Whereas, It is imperative that the government take whatever steps are necessary to prevent the continuing exploitation of low-income communities by payday lenders; now, therefore, be it

Resolved,   That the Council of the City of New York calls on the United States Congress to pass S.172, also known as the Stop Abuse and Fraud in Electronic Lending Act of 2013.

DMB
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