



Legislation Text

File #: Res 1895-2009, **Version:** *

Res. No. 1895

Resolution calling upon the federal government to put retroactive and prospective restrictions and consumer protections on federal bailout funds.

By Council Members Katz, Brewer, James, Liu and Foster

Whereas, On October 3, 2008, President Bush signed into law the Troubled Assets Relief Program (“TARP”), a \$700 billion financial rescue plan intended to help mitigate the economic crisis by, among other things, stabilizing the credit market and enabling banks to lend more; and

Whereas, On November 10, 2008, the Federal Reserve approved American Express’s request to transition from a credit card company into a bank holding company; and

Whereas, According to the Federal Financial Institutions Examination Council, a bank holding company is “a company that owns and/or controls one or more U. S. banks;” and

Whereas, Becoming a bank holding company allows a financial institution to benefit from TARP, affording it flexibility in lending and in acquiring other banks; and

Whereas, Because bank holding companies are under federal supervision, businesses like American Express are now eligible for a greater amount of financing under TARP than they could have received as credit card companies or investment banks; and

Whereas, Bank holding companies are also able to assume the debt of shareholders without incurring taxes, borrow money and issue stock more easily; and

Whereas, Due to its status as a bank holding company, American Express eventually received \$3.4 billion in bailout money from the federal government in December 2008; and

Whereas, In the same month that it became a bank holding company, American Express announced that

it was going to raise its interest rates by 2 to 3 percentage points on many of its credit card accounts, with no opt-out opportunity for its customers; and

Whereas, In addition to raising rates, American Express - as well as other financial institutions - has begun to dramatically decrease customers' credit limits; and

Whereas, It is inherently unfair for a financial institution to be allowed to increase customers' interest rates when those very customers' tax dollars subsidize the benefits it accrues as a bank holding company; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the Federal government to put retroactive and prospective restrictions and consumer protections on federal bailout funds.

DMB
LS#6850
2/20/09