

New York City Council

Memorandum in Support of Legislation

This memorandum is authored by the sponsor and explains the need for the legislation referenced below, in accordance with Rule 6.00(d) of the Rules of the Council.

Introduction Number:

Int. No. 0401-2024

Prime Sponsors:

By the Public Advocate (Mr. Williams), Farah N. Louis, Lincoln Restler, Kevin C. Riley, Julie Won, Shahana K. Hanif, Sandy Nurse, Jennifer Gutiérrez, Alexa Avilés, Nantasha M. Williams, Diana I. Ayala, Chi A. Ossé, Rafael Salamanca, Jr., Selvena N. Brooks-Powers, Shekar Krishnan, Amanda C. Farías, James F. Gennaro, Christopher Marte, Chris Banks, Tiffany L. Cabán, Mercedes Narcisse, Pierina Ana Sanchez, Rita C. Joseph, Crystal Hudson, Darlene Mealy, and Lynn C. Schulman

Bill Title:

A Local Law to amend the administrative code of the city of New York, in relation to prohibiting discrimination in the issuance of credit and requiring creditors to disclose to potential borrowers how their rate is calculated.

Submitted by:

Public Advocate Williams

Justification:

This bill would prohibit discrimination based on an individual's membership in a protected class in the issuance of credit and would require creditors to disclose to potential borrowers how their rate is calculated. More specifically, the bill would deem it an unlawful discriminatory practice for any creditor or any officer, agent or employee to discriminate in the granting, withholding, extending or renewing of any form of credit on the basis of an applicant's race, creed, religion, national origin, sexual orientation, age, gender, and disability, among other classifications.

The bill's original introduction in 2016 was inspired by a \$24 million settlement alleging that Honda creditors "engaged in a pattern or practice of discrimination against African-American, Hispanic and Asian/Pacific Islander borrowers in auto lending."¹ It has been nearly ten years since the bill was introduced, and the need for it still remains. In 2023, Citigroup settled for \$26 million for claims that its employees denied Armenian-Americans fair access to Citigroup credit

¹ <https://www.justice.gov/opa/pr/justice-department-and-consumer-financial-protection-bureau-reach-groundbreaking-settlement>

cards.² Mortgage lenders such as Wells Fargo and Navy Federal Credit Union also faced heightened scrutiny and lawsuits on their lending practices and pricing disparities, notably between Black and Latino homeowners and white homeowners.

Currently, there are federal laws such as the Truth in Lending Act³ and the Equal Credit Opportunity Act⁴ that provide safeguards for consumers in their dealings with lenders and creditors. The city should enact similar policies at the local level that fortify existing consumer protection laws. Int. 0401-2024 could help hundreds of thousands of people applying for mortgages, small business loans, and other types of credit. Having in place a law that mandates transparency in how a person's interest rate is calculated will also protect groups of people in this city that face historical discrimination and unfair treatment when it comes to banking, homeownership, and accessing financial opportunities.

² <https://www.nytimes.com/2023/11/08/business/citigroup-discrimination-armenian-americans.html>

³ <https://www.ftc.gov/legal-library/browse/statutes/truth-lending-act>

⁴ <https://consumerfinance.gov/fair-lending/>