



Legislation Text

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Int. No. 462

By Council Members Comrie, Nelson, Sears and The Speaker (Council Member Miller), Baez, Barron, Brewer, Felder, Fidler, Gennaro, Gerson, Gioia, Jackson, Jennings, Katz, Koppell, Lopez, Martinez, Monserrate, Perkins, Quinn, Recchia, Reed, Rivera, Sanders, Stewart, Weprin, Yassky and Moskowitz

A Local Law to amend the administrative code of the city of New York, in relation to requiring institutions that provide payday loan or grant services and which conduct business with the city or its agencies, to provide clear and conspicuous disclosure in advertisements regarding material information, such as interest rates and other charges, so that consumers understand the true costs of these loans.

Be it enacted by the Council as follows:

Section one. Subchapter 5 of Chapter 5 of Title 20 of the administrative code of the city of New York is hereby amended by adding a new section 20-723.1 to read as follows:

§ 20-723.1. Advertising Disclosure Requirements for Lenders Promoting Payday Loan Services.

a. Definitions. For purposes of this section:

- (1) “Payday loan”, also known as, among other terms, “deferred deposit advances”, “cash on demand” or “cash advance”, shall mean any transaction in which a short-term cash advance is made to a consumer in exchange for (i) a consumer’s personal check or share draft, in the amount of an advance plus a fee, where presentment or negotiation of such check or share draft is deferred by agreement of the parties until a designated future date; or (ii) a consumer’s authorization to debit the consumer’s transaction account, in the amount of the advance plus a fee, where such account will be debited on or after a designated future date.
- (2) “Unit of advertising space” shall mean any real property, space, facility or instrumentality of public transportation, or any portion thereof, (i) owned or operated by, or leased from or to the city, or which is located or operates on real property owned or operated by or leased from or to the city, and which is the

subject of the same contract, lease, rental agreement, franchise, revocable consent, concession or other similar written agreement with the city which allows the placement or display of advertisements, but not including any real property, space or facility leased from the city for a term of thirty years or more during the entire term of the lease or any real property, space or facility leased from or to the industrial development agency; or (ii) with respect to which a license or permit has been issued by the city that expressly grants the right to place or display advertisements, but not including licenses or permits issued pursuant to the building code.

b. Any lender, bank or other business or financial institution that provides payday loan or grant services and which promotes its payday loan or grant services, however described or designated, via a unit or units of advertising space, and which, because of the application of other state or federal law, is exempt from the fee limitations of New York State, and charge interest, fees and other charges greater than those authorized in New York State, shall comply with the following disclosure requirements with respect to print advertisements:

1. Advertisements shall disclose, in clear and prominent letter type, in a print color that contrasts with the background against which it appears, of a type size that is sufficient for an ordinary reader to notice, read and comprehend:
 - i. the maximum annual percentage rates (APR), computed in accordance with regulations adopted pursuant to the federal Truth-in-Lending Act, and any membership fees, finance charges, annual fees, transaction fees, rollover costs, lender's fees or any other possible charges that may be incurred by a consumer/applicant, including any interest, fees and other charges due at the time of any loan renewal;
 - ii. illustrative examples of the amounts that would be charged on separate three-hundred dollar (\$300) loans payable in fourteen (14) days and thirty (30) days, providing the corresponding annual percentage rates;
 - iii. the state in which the lender/financial institution is chartered;

- iv. the fact that the consumer/applicant will be required to supply personal information, including information regarding his or her personal financial history;
 - v. the fact that a fee schedule will be available upon request;
 - vi. a contact number, such as the New York State Banking Department's Consumer Hotline, where a consumer/applicant can direct complaints against the lender/financial institution.
2. A single instance of charging a consumer more than the fees, interest or other charges permitted in New York State shall require the lender/financial institution to post, in accordance with the requirements of subsection (b)(1) of this section, in a conspicuous place in any print advertisement, the notice below:
- "WARNING: The rate of interest and fees charged on payday loans made at this institution are higher than the average rate of interest and fees charged at other financial institutions on substantially similar loans."

§ 2. This local law shall take effect ninety days after its enactment into law.

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