



Legislation Text

File #: Res 0871-2003, **Version:** *

Res. No. 871

Resolution calling upon the United States Congress to pass and the President to enact legislation to amend the current federal banking laws in order to better protect consumers from the dangers of payday loans.

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

Whereas, Payday lending is a rapidly expanding form of high-cost, short-term credit that uses a borrower's personal check as collateral and targets individuals with limited access to affordable credit who are in desperate need of cash to meet immediate obligations; and

Whereas, The Consumer Federation of America has reported that an estimated 10 million American households paid \$2.4 billion in fees for two-week loans during 2001 and project that the industry will continue to grow; and

Whereas, According to industry commentators, the Annual Percentage Rate on payday loans range from 390% to 7300% with an average of 500%; and

Whereas, Payday lenders are often able to evade state usury caps by partnering with banks, which are only subject to the usury laws in the state in which the bank is headquartered; and

Whereas, Adequate legislation could close this loophole by prohibiting out-of-state companies and banks from avoiding state usury laws; and

Whereas, Such legislation could protect consumers who are taking payday loans from exorbitant interest rates and fees, perpetual debt, the use of criminal actions to collect debt, and other unfair practices employed by the payday institutions; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the United States Congress to pass and the President to enact legislation to amend current federal banking laws to better protect consumers from the dangers of payday loans.

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