



Legislation Text

File #: Res 0138-2004, **Version:** A

Res. No. 138-A

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 allow states to better guard consumers from the potential risks 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, Yassky, Addabbo, Foster, James, Liu, Monserrate and The Public Advocate (Ms. Gotbaum)

Whereas, Payday lending is a rapidly expanding form of short-term credit that uses a borrower's personal check as collateral and often appeals to individuals with limited access to affordable credit, in 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, Although New York State law permits a maximum rate of 25% per annum, Federal Law permits all federally and nationally chartered lending institutions to export their home interest rate into any state in which they conduct business; and Whereas, Many jurisdictions permit their lending institutions to charge exceedingly high rates of interest on consumer loans and some states, including Delaware, set no usury cap whatsoever; and

Whereas, Payday lenders often partner with banks chartered outside New York State to underwrite the loan, therefore, these lenders are subject only to the usury laws in the state in which the bank is chartered; and

Whereas, Present law effectively prohibits the New York State Legislature from acting to protect the citizens of New York from potentially unscrupulous lenders that export rates in violation of New York's usury limitations; and

Whereas, Federal legislation could ensure that payday loans are responsibly offered by prohibiting out-of-state companies and banks from avoiding state usury laws; and

Whereas, Such legislation could effectively protect consumers taking payday loans from perpetual arrears, the use of criminal actions to collect on the debt and other potentially 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 the current federal banking laws in order to allow states to better guard consumers from the potential risks of payday loans.