



Legislation Text

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Res No. 205

Resolution calling upon the federal government to institute a national usury law.

By Council Members Lappin, Brewer, Koppell, Lander, Williams and Nelson

Whereas, The root of our nation’s current financial crisis resides in the credit market, an industry with insufficient federal oversight and regulation; and

Whereas, Each of the 50 states has the authority to regulate usury within its borders, with the discretion to cap the amount of interest charged by a lender at a certain rate; and

Whereas, Enormous discrepancies in allowable interest rates exist from state to state, such as the difference between New York and New Jersey: lenders based in New Jersey are legally allowed to charge borrowers nearly twice as much in interest as lenders based in New York; and

Whereas, These inconsistencies on a national scale incentivize organizations such as banks and credit card companies to relocate to states whose laws favor creditors over debtors; and

Whereas, A national usury law is needed because state law no longer adequately protects consumers; and

Whereas, As a result of the 1978 U.S. Supreme Court ruling in *Marquette v. First Omaha Service Corp.*, lenders that affix the word “national” to their name are allowed to export their home state’s high interest rate to borrowers in different states; and

Whereas, A lack of federal regulation has created a hostile environment for subprime, or low-income borrowers, who can easily fall victim to deceptive and predatory lending agreements that increase the chance of defaulting on a mortgage and ultimately losing a home or property through foreclosure and repossession; and

Whereas, According to United States Senator Bernie Sanders, one-third of all credit card holders in America are now paying interest rates above 20 percent and as high as 41 percent; and

Whereas, On April 2, 2009, Senator Sanders introduced legislation to establish a national usury law, which would require any lender in this country to cap all interest rates on consumer loans at 15 percent, including credit cards; and

Whereas, That same day the Senate voted 31 to 61 against the legislation; and

Whereas, Although a free-flowing credit market is crucial to the growth and prosperity of the nation, the United States Government must institute a national usury law that regulates lenders across the country, and protects borrowers from lenders who take advantage of state-to-state discrepancies to charge excessive interest rates and engage in predatory lending practices; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the federal government to institute a national usury law.

JCG
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