

MISSING ORIGINAL LEGISLATION

Resolution / Ordinance Number: 8 2 1 0 5

City Council Meeting Date June 30, 2009

Agenda Item No. 19

Recorded Vote 8 Ayes

Draft received for packet

Council amended legislation at the meeting

Responsible Contact Information

Department City Council, District 5

Contact Person/Ext. Claudia Burgos x7051

Notes (if any)

DRAFT

City Attorney's Office

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2009 JUN 25 PM 7:18 **OAKLAND CITY COUNCIL**

RESOLUTION No. _____ C.M.S.

INTRODUCED BY VICE MAYOR DE LA FUENTE

Resolution To Oppose Unless Amended Assembly Bill 377 (Mendoza)
Regarding Payday Lending.

WHEREAS, Assembly Bill 377, would increase the maximum amount of payday loans, and thereby sink Oakland borrowers deeper into excessively priced short-term debt which they can ill afford; and

WHEREAS, Too many of Oakland families lack the resources and assets to build a stable foundation for financial success long into the future during this period of high unemployment and financial instability; and,

WHEREAS, Financial institutions in Oakland have to help connect previously unbanked families to make the opportunity for families to access affordable basic financial services;

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WHEREAS, AB 377 would undermine these efforts by increasing the maximum amount of payday loans from \$300 to \$500, (with an APR of 460%) while doing nothing to ensure that such loans are provided responsibly to borrowers who can afford to pay them back; and,

WHEREAS, Evidence indicates that payday loans trap borrowers in a cycle of debt they can't afford; and that providing larger loans will simply increase the likelihood that borrowers can't afford to pay them off, but rather will have to pay larger fees every two weeks to avoid defaulting on their loans; and,

WHEREAS, Department of Corporations reports confirm that a very small part of the payday lending business in California serves borrowers' one-time emergency needs and that other key findings from the reports include:

- **Most Borrowers Are Regular Users:** The average number of loans for the one million borrowers was 10, exceeding the national average of 9 per year.
- **Most Loans Go to Borrowers Caught in a Debt Trap:** Nearly 450,000 borrowers had back-to-back spells of 6 loans or more, conservatively, accounting for more than 50 percent of all loans.
- **Very Few Borrowers Take Just One Loan:** Less than 4 percent of loans went to borrowers who took out just one loan and paid it back at their next payday.
- **For Too Many Borrowers, There is No Way Out:** 57,147 borrowers had more than 19 consecutive transactions during 2006, meaning that they were paying off their "emergency" credit every two weeks for at least nine and half months – and in some cases longer. These borrowers accounted for just 4% of the DOC-reported 1.4 million borrowers in 2006, but more than 25% of the 10 million 2006 loans; and

WHEREAS, Department of Corporations reports also confirm that Payday lenders in California overwhelmingly locate their stores in African-American and Latino neighborhoods, and that, accordingly to analysis by the Center for Responsible Lending, payday operations are over twice as concentrated in these communities as compared to white neighborhoods (even when controlled for a variety of relevant factors such as income), stripping \$247 million in fees annually from these communities; and

WHEREAS, Larger payday loans will hinder the City of Oakland's efforts to help our families save and build assets. NOW, therefore be it

RESOLVED, That the City of Oakland opposes unless amended the passage of Assembly Bill 377 (Mendoza); and, be it

FURTHER RESOLVED, That the City of Oakland urges the California Legislature to reject Assembly Bill 377 unless the following amendments are made:

- Adopt the FDIC's Annual Loan Limit Guidelines As Included in the Department of Corporations (DoC) Recommendations;
- Adopt the DoC Policy Option to Extend the Minimum Loan Term to 31 Days;
- Adopt the DoC's Automatic Payment Plan Providing Six Amortizing Installment Payments; and
- Adopt the DoC Policy Option of Expanding Equitable Remedies for Consumer Protection.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2009

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, and
PRESIDENT BRUNNER

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California