

A RESOLUTION OF THE CITY COUNCIL OF ST. PETERSBURG, FLORIDA, IN SUPPORT OF THE CONSUMER FINANCIAL PROTECTION BUREAU'S REGULATIONS ADDRESSING PAYDAY LOANS AND OTHER HIGH COST LOANS; URGING THE BUREAU TO ISSUE THE STRONGEST RULES POSSIBLE AGAINST THESE PREDATORY LOANS; INSTRUCTING THE CITY CLERK TO SUBMIT A COPY OF THIS RESOLUTION TO CERTAIN PEOPLE AND ENTITIES; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, data collected by the Florida Office of Financial Regulation ("OFR") shows that payday loans in Florida carry extraordinarily high interest rates, typically charging borrowers almost 300% annualized interest for a loan of up to \$500; and

WHEREAS, payday lenders do not determine if borrowers have the ability to repay the loan, but instead rely in most cases on seizing payment directly from borrowers' bank accounts or paychecks to repay the loans, leaving borrowers at risk of re-borrowing to avoid a cycle of debt; and

WHEREAS, the OFR data shows that borrowers in Florida typically take out 7 or more payday loans per year, indicating borrowers are trapped in debt; and

WHEREAS, the OFR data also shows that payday loans made in Florida drained over \$311 million in fees alone from the borrowers during a twelve-month period spanning 2014–2015, a significant loss to those borrowers and the overall Florida economy; and

WHEREAS, the Consumer Financial Protection Bureau ("CFPB") is directed by the Dodd–Frank Act to create rules regulating consumer financial products, though the CFPB, by law, cannot address the specific costs and fees charged by predatory lenders; and

WHEREAS, the CFPB, on June 2, 2016, proposed national rules to rein in the worst predatory practices of payday loans, car title loans, and other high-cost loans; and

WHEREAS, these proposed rules are a good start for addressing predatory loans but contain loopholes that allow certain unfair and abusive practices to continue; and

WHEREAS, the proposed rules, at their core, create an ability-to-repay requirement for borrowers, which is similar to requirements placed on borrowers for most other loans and helps preserve room in borrowers' budgets for food, utilities, medical care, and other living expenses; and

WHEREAS, the proposed rules allow a lender to avoid the ability-to-repay requirement for up to six high-cost payday loans per borrower, per year; and

WHEREAS, the proposed rules allow the continued use of “leveraged payment mechanisms” through which lenders seize funds directly from a borrower’s bank account or paycheck, creating a false appearance of good payment history and undermining the protections provided by the new ability-to-repay requirement; and

WHEREAS, if the CFPB rules are not strengthened, borrowers will not be given adequate protection from these high-cost loans.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of St. Petersburg, Florida, that this Council hereby urges the CFPB to create a strong rule to protect consumers by:

(1) applying the ability-to-repay requirement to as many of the covered loans as possible in order to protect consumers from falling into a cycle of debt;

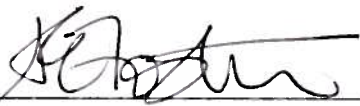
(2) limiting the use of leveraged payment mechanisms to seize funds directly from bank accounts and paychecks in a manner that undermines the new ability-to-repay requirement; and

(3) creating the strongest rule possible to protect the citizens of our City from high-cost, predatory loans.


BE IT FURTHER RESOLVED that this Council hereby instructs the City Clerk to submit a copy of this Resolution to the Pinellas County, Florida, Board of County Commissioners; to CFPB Director Richard Cordray; and to the request for public comment on this proposed rule (<https://www.regulations.gov/comment?D=CFPB-2016-0025-0001>), which closes at the end of October 7, 2016.

This Resolution shall become effective immediately upon its adoption.

Adopted at a regular session of the City Council held on the 4th day of August, 2016.



Amy Foster, Chair-Councilmember
Presiding Officer of the City Council

ATTEST: 

Chan Srinivasa, City Clerk

