

## ACTION FORM BRYAN CITY COUNCIL

<b>DATE OF COUNCIL MEETING:</b> August 12, 2014		<b>DATE SUBMITTED:</b> July 11, 2014	
<b>DEPARTMENT OF ORIGIN:</b> City Secretary		<b>SUBMITTED BY:</b> Mary Lynne Stratta	
<b>MEETING TYPE:</b>	<b>CLASSIFICATION:</b>	<b>ORDINANCE:</b>	<b>STRATEGIC INITIATIVE:</b>
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input checked="" type="checkbox"/> STATUTORY		<input type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input type="checkbox"/> INFRASTRUCTURE
			<input checked="" type="checkbox"/> QUALITY OF LIFE
<b>AGENDA ITEM DESCRIPTION:</b> Resolution – Texas Municipal League Support of Credit Access Businesses Legislation			
<p>Adoption of a resolution requesting the Texas Legislature and the Governor of Texas to enact laws to reduce exploitative payday lending and auto title loan practices and requesting the Texas Municipal League (TML) to seek introduction and support of such legislation; expressing support of other cities toward their efforts to regulate payday lending and auto title loan practices.</p>			
<b>SUMMARY STATEMENT:</b> Payday loans are unsecured loans with a typical range of \$100.00 to \$1,500.00. Individuals and families often pay between 500% and 1,000% annual interest rate (APR) for a 2-week loan and the average borrower re-news a loan nine (9) times or more before repaying the loan in full according to the Texas Fair Lending Alliance. Auto title loans are similar to payday loans except that the person's car title is used to secure the loan.			
<p>These practices target working families, senior citizens and military families who struggle financially due to the economic stress of the economy or that are on a fixed income. Approximately 20% of charitable cash assistance goes to people who are unable to repay these loans and 76% of payday and auto title borrowers seeking charitable assistance also receive a public benefit (Texas Fair Lending Alliance). The financially distressed economy has fostered an increase in these types of loans due to their easy access and lack of regulations. Financially stressed households historically seek out these types of loans when they are in a financial crisis and do not seek alternative solutions that are available.</p>			
<p>The destructive debt cycle created by both types of loans reduces a family household's ability to pay for essential household needs such as food, clothing and medical care. The payday and auto title business model depends on borrowers paying large fees because they cannot repay within the allocated two (2) week or one (1) month time frame. Because of the terms of the loan, borrowers often pay fees month after month without reducing the loan principle. The 2013 annual report by MSA from the Office of Consumer Credit Commissioner, the State department that provides oversight of credit access businesses, reports that in the Bryan College Station metropolitan area there were \$6 million dollars in total new loans last year, \$12.8 million dollars in total refinancing, with \$4 million dollars generated in fees (all pay day and auto title loans). The average refinances per loan was 2.12. There are currently 10 registered credit access businesses located in Bryan.</p>			
<b>STAFF ANALYSIS AND RECOMMENDATION:</b> To date, eighteen (18) Texas cities have adopted business regulations relative to credit access businesses, while eleven (11) have adopted land use regulations. Many Texas cities, including Austin, Dallas and San Antonio, are seeking support from the Texas Municipal League (TML) to request the Texas Legislature and the Governor of Texas to provide for regulation of payday lending and auto title lending practices. Additionally, civic, business, and faith leaders throughout Texas are speaking out about payday			

and auto title loan practices. Vocal groups opposing payday and auto title loan practices include the Texas Catholic Conference, Texas Baptist Christian Life Commission, Texas AARP, Texas Appleseed, Texas Association of Goodwill's, Texas NAACP, and Texas Impact (information provided by Texas Fair Lending Alliance).

Locally, the City of Bryan City Council has adopted ordinances regulating business practices and land uses of credit access businesses and has also provided leadership guidance to staff in developing the Bank On Brazos Valley program, which provides coordinated efforts with local banks to better assist families that are unbanked or under-banked. City staff also partners with local non-profits, including United Way's Financial Stability Committee, to direct efforts toward actions that will provide financial resources and education to working families, the elderly, military families, and others who, because of a lack of viable resources, may turn to a payday lending or auto title loan because of a family crisis. The efforts of the City Council to recognize and support the need for strengthening regulation of payday lending and auto title lending practices will provide future financial stability for the community's families in a financial crisis.

Staff recommends approval of the Resolution and asks for permission to submit the resolution to the Texas Municipal League for consideration for inclusion in its 2015 Legislative Action Plan.

**OPTIONS (In Suggested Order of Staff Preference):**

1. Approve the proposed Resolution.
2. Modify and then approve the proposed Resolution, which may require consideration at a future City Council meeting.
3. Do not approve the proposed Resolution and provide alternative direction to staff.

**ATTACHMENTS:** Proposed Resolution

**FUNDING SOURCE:** Not Applicable

**APPROVALS:** Hugh R. Walker, 07/25/2014

**APPROVED FOR SUBMITTAL: CITY MANAGER**

**APPROVED FOR SUBMITTAL: CITY ATTORNEY** 07/28/2014

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRYAN, TEXAS, REQUESTING THE TEXAS LEGISLATURE AND THE GOVERNOR OF TEXAS TO ENACT LAWS TO REDUCE EXPLOITATIVE PAYDAY LENDING AND AUTO TITLE LOAN PRACTICES; REQUESTING THE TEXAS MUNICIPAL LEAGUE TO SEEK INTRODUCTION AND SUPPORT SUCH LEGISLATION; EXPRESSING SUPPORT OF OTHER CITIES IN THEIR EFFORTS TO REGULATE THESE LENDING PRACTICES; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, certain lending practices have recently proliferated in the City of Bryan, Texas, and across the State of Texas including the offering of certain "payday" loans, auto title and other unsecured installment loans whereby exorbitant interest rates are charged and collected from customers, in circumvention of the State of Texas consumer protection laws; and

**WHEREAS**, effects have been undertaken in other cities and states to stem or outright prohibit similar practices in which often triple-digit interest rates were charged to consumers; and

**WHEREAS**, the City Council for the City of Bryan believes that a significant concern exists with what is widely perceived to be patently exploitative, if not predatory, payday lending practices in the City of Bryan and elsewhere in the State of Texas, including practices which may exploit that segment of our population that is most vulnerable to such practices; and

**WHEREAS**, the City Council of the City of Bryan has adopted ordinances regulating business practices and land uses of credit access businesses, and

**WHEREAS**, the City Council of the City of Bryan wishes to express these concerns and urge the Texas State Legislature and the Governor of Texas to take appropriate action to prevent further exploitative payday lending practices; and

**WHEREAS**, it is critical that the Texas Legislature and the Governor of Texas give their earnest attention to this matter and enact legislation that will prevent further exploitative payday lending practices.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BRYAN THAT:**

**Section 1.**

That the Texas Legislature and the Governor of the State of Texas are hereby requested to take action to enact any laws necessary and appropriate to prevent further exploitative payday lending practices.

**Section 2.**

That the Texas Municipal League is hereby requested to take action to seek introduction and support legislation to prevent further exploitative payday and auto title lending practices.

**Section 3.**

That the City Council of the City of Bryan wishes to express its support of the 18 cities in Texas that have adopted business regulations in their ongoing efforts to regulate credit access businesses that engage in exploitative payday and/or auto title lending practices.

**Section 4.**

That the City Council authorizes and directs the City Secretary to send an official copy of this resolution to the Governor of the State of Texas, the Lieutenant Governor of the State of Texas, the legislators in whose districts the City of Bryan is located, and the Texas Municipal League.

**PASSED AND APPROVED** this 12<sup>th</sup> day of August, 2014.

ATTEST:

CITY OF BRYAN:

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Mary Lynne Stratta, City Secretary

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Jason P. Bienski, Mayor

APPROVED AS TO FORM:

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Janis K. Hampton, City Attorney