

# Resolution of the City of Jersey City, N.J.

City Clerk File No. Res. 16.460

Agenda No. 10.Z.16

Approved: JUN 29 2016

TITLE:



**RESOLUTION URGING THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB) TO ISSUE THE STRONGEST POSSIBLE RULE TO ADDRESS PREDATORY PAYDAY AND CAR TITLE LENDING TO BOLSTER, AND NOT UNDERMINE, NEW JERSEY STATE LAW AND PROTECT THE CITIZENS OF OUR CITY FROM UNFAIR, DECEPTIVE, AND ABUSIVE LENDING PRACTICES**

**WHEREAS**, New Jersey currently has one of the strongest laws in the country to protect consumers from predatory payday loans, with a strict and reasonable thirty percent (30%) usury cap on interest and fees that lenders may charge borrowers; and

**WHEREAS**, predatory payday loans carry extraordinarily high interest and fees are made based on the lender's ability to collect the loan through access to the borrower's bank account on payday, rather than the borrower's ability to repay the loan without experiencing further financial problems; and

**WHEREAS**, predatory payday loans have devastating effects on borrowers, leading to delinquencies on other bills, overdrafts on bank accounts, and bankruptcy, as well as negative impacts on communities, draining the economy of nearly \$1 billion every year in consumer activity and increasing the need for food assistance and charitable relief services; and

**WHEREAS**, New Jersey, New York, Pennsylvania, eleven (11) other states and the District of Columbia, altogether comprising a population of 90 million people, effectively prohibit payday lending and are much better off without this financial product. The Center for Responsible Lending estimates that consumers in New Jersey alone would be paying more than \$340 million in fees payday lenders annually if not for the state's strong usury cap; and

**WHEREAS**, despite New Jersey's strong usury cap, companies continue to facilitate illegal payday lending, whether by generating leads, advertising, or processing payments for payday lenders, and are engaging in unfair, deceptive, and abusive practices in our state that trap New Jersey consumers into endless cycles of debt; and

**WHEREAS**, on June 2, 2016, the Consumer Financial Protection Bureau (CFPB) issued a proposed national rule, meant to eliminate abusive payday and car title lending. The rule, though a good start, includes loopholes that could undermine strong state usury caps and other consumer protection laws, like those in place in New Jersey. The proposal gets the fundamentals right by establishing an ability-to-repay principle at the core of the rule, based on a consumer's income and expenses. However, the proposal exempts six high-cost payday loans from an ability-to-repay requirement altogether. It also fails to provide explicit reinforcement of debt trap prohibitions and bans in states like New Jersey; and

**WHEREAS**, the public has until September 14, 2016 to write Bureau Director Richard Corday with comments on the proposed rule; and

**WHEREAS**, the danger of the CFPB's weak payday lending proposal is evident in the fact that payday loan industry representatives are deliberately misrepresenting the meaning and intent of the rule to push for legalization in states that currently prohibit high-cost payday lending; and

- 1 -

**WHEREAS**, the CFPB cannot issue a national usury cap but can issue a strong payday rule free of loopholes that would bolster and not undermine New Jersey law by requiring that for all loans, without exception, the lender must assess the potential borrower's ability to repay the loan based on the person's income, existing obligations, and living expenses. The CFPB can also declare any violation of state law, such as the marketing of illegal loans or applying usurious interest rates, as an unfair, deceptive, and abusive act or practice; and

**WHEREAS**, more than twenty-five (25) organizations from across New Jersey sent a letter to Bureau Director Corday, urging him to issue the strongest rule possible and to declare any violation of our state's usury and other consumer protection laws an unfair, deceptive, and abusive practice. Signatories to the letter included the Anti-Poverty Network of NJ, Latino Action Network, New Jersey Citizen Action, New Jersey Communities United, New Jersey Council Of Churches, New Jersey NAACP New Jersey NOW, New Jersey Policy Perspective, New Jersey Progressive Democratic Caucus, New Jersey Tenants Organization, NJ Working Families Alliance, and St. Paul's Lutheran Church (based in Jersey City); and

TITLE:

**RESOLUTION URGING THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB) TO ISSUE THE STRONGEST POSSIBLE RULE TO ADDRESS PREDATORY PAYDAY AND CAR TITLE LENDING TO BOLSTER, AND NOT UNDERMINE, NEW JERSEY STATE LAW AND PROTECT THE CITIZENS OF OUR CITY FROM UNFAIR, DECEPTIVE, AND ABUSIVE LENDING PRACTICES**

**WHEREAS**, the Municipal Council has historically supported efforts to protect Jersey City consumers from unfair, deceptive, and abusive lending practices. In November 2014, the Council adopted Resolution Number 14.779, urging the United States Department of Defense to expand the Military Lending Act to protect active-duty service members from predatory debt trap lenders; and

**NOW, THEREFORE, BE IT RESOLVED** that the Municipal Council of the City of Jersey urges the Consumer Financial Protection Bureau to issue the strongest possible rule to address predatory payday and car title lending that will bolster, and not undermine, New Jersey law and protect the citizens of our City from unfair, deceptive, and abusive lending practices; and

**BE IT FURTHER RESOLVED**, hat that the Clerk of the City of Jersey City shall cause a copy of the final passed version of the within Resolution to be provided to Consumer Finance Protection Bureau Director Richard Cordray forthwith.

APPROVED: \_\_\_\_\_

APPROVED AS TO LEGAL FORM

APPROVED: \_\_\_\_\_  
Business Administrator

2. \_\_\_\_\_  
Corporation Counsel

Certification Required

Not Required

**APPROVED 8-0**

RECORD OF COUNCIL VOTE ON FINAL PASSAGE 6.29.16											
COUNCILPERSON	AYE	NAY	N.V.	COUNCILPERSON	AYE	NAY	N.V.	COUNCILPERSON	AYE	NAY	N.V.
GAJEWSKI	✓			YUN	✓			RIVERA	ABSENT		
HALLANAN	✓			OSBORNE	✓			WATTERMAN	✓		
BOGGIANO	✓			COLEMAN	✓			LAVARRO, PRES.	✓		

✓ Indicates Vote

N.V.-Not Voting (Abstain)

Adopted at a meeting of the Municipal Council of the City of Jersey City N.J.

\_\_\_\_\_  
Rolando R. Lavarro, Jr., President of Council

\_\_\_\_\_  
Robert Byrne, City Clerk