

**CITY OF EL PASO, TEXAS
AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: City Attorney

AGENDA DATE: January 8, 2013

CONTACT PERSON NAME AND PHONE NUMBER: Sol M. Cortez, 541-4119

DISTRICT(S) AFFECTED: All

SUBJECT:

Discussion and Action on a Resolution to support cities' authority to pass ordinances aimed at curtailing credit access businesses' exploitation of economically vulnerable citizens.

BACKGROUND / DISCUSSION:

City Council is concerned about the effects on the citizens of the City of El Paso of high-cost payday and title loans made by Credit Access Businesses. This Resolution is to urge the Texas State Legislature and the Governor of Texas to oppose any efforts to preempt cities' authority to enact ordinances that regulate exploitative annual rates and fees.

PRIOR COUNCIL ACTION:

N/A

AMOUNT AND SOURCE OF FUNDING:

N/A

BOARD / COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD: _____

(If Department Head Summary Form is initiated by Purchasing, client department should sign also)

Information copy to appropriate Deputy City Manager

**RESOLUTION OF THE CITY OF EL PASO
TO SUPPORT CITIES' AUTHORITY TO PASS ORDINANCES
AIMED AT CURTAILING CREDIT ACCESS BUSINESSES'
EXPLOITATION OF ECONOMICALLY VULNERABLE CITIZENS.**

WHEREAS, the City Council of the City of El Paso, represents the citizens of the City of El Paso;

WHEREAS, citizens of the City of El Paso are deeply concerned about the harmful effects of payday and auto title lending practices in our community and throughout Texas;

WHEREAS, in the state of Texas there are over 3,000 of these lending storefronts, operating outside of state usury laws, evading licensed consumer lending standards under Texas law, and making over \$3 billion in high-cost loans to Texas families each year;

WHEREAS, there are at least 123 of these loan businesses in our local community promising "easy credit" only to hurt people with annual percentage rates upwards of 500% and loan terms that often pull people deeper into debt;

WHEREAS, in response to the targeting of working families, senior citizens, and military families who struggle to pay rent, bills, and provide for other basic needs, at least 16 states and the District of Columbia have adopted 36% or lower annual percentage rate cap for these small loans;

WHEREAS, upon the Department of Defense's finding that these loans, "undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force", the federal government enacted a rate cap of 36% for loans up to 90 days and up to \$2,000 to protect certain members of the military from exploitation; however, Texas payday lenders have found ways to evade the rate cap and continue to exploit the military;

WHEREAS, in 2011, the Texas Legislature approved new regulations for the industry, and while the regulations do provide more oversight and licensing requirements for Credit Access Businesses, the regulations fall well short of providing adequate protections for consumers; and

WHEREAS, to prevent payday and auto title lenders from trapping borrowers in a perpetual cycle of debt, some cities in Texas have implemented ordinances that put in place tighter restrictions on Credit Access Businesses, including regulations that limit the proximity of these businesses to one another, as well as additional regulations to ensure that borrowers can actually repay loans on time.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the City Council of the City of El Paso urges the Texas State Legislature and the Governor of Texas to oppose any efforts in the next regular session of the Texas Legislature to preempt cities' authority to enact ordinances aimed at ending the exploitative practices of credit access businesses that hurt our communities and struggling Texans by charging usurious and immoral rates and fees.

APPROVE this ____ day of _____ 2013.

CITY OF EL PASO

John F. Cook
Mayor

ATTEST:

APPROVED AS TO FORM:

Richarda Duffy Momsen
City Clerk

Sylvia Borunda Firth
City Attorney