DATE: NOVEMBER 14, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: CONSIDERATION OR A RESOLUTION SEEKING LIMITATIONS ON PAYDAY LOANS

ISSUE: Consideration of a Resolution seeking limitations on payday loans.

RECOMMENDATION: That City Council adopt the Resolution.

DISCUSSION: In its 2007 Legislative Package, the City recommended that its delegation support legislation to prohibit payday loans. In its proposed 2008 Legislative Package, the City again asks that these loans be prohibited, or at least capped at a 36 percent interest rate.

Opponents of payday loans are asking local governments throughout Virginia to adopt resolutions in support of a 36 percent cap on payday loan interest rates. A number of localities, including Charlottesville, Hampton, Staunton, and Waynesboro, have adopted such resolutions.

Passage of this resolution is consistent with the positions the City has taken on legislation in the 2007 Session.

ATTACHMENT: Resolution

STAFF: Bernard Caton, Legislative Director
       Jean Niebauer, Director, Human Rights Office
RESOLUTION NO. ________

WHEREAS, the 2002 General Assembly enacted the Payday Loan Act, thus allowing certain lenders to make loans at an effective annual interest rate as high as 391 percent annually; and

WHEREAS, a study by the Center for Responsible Lending concluded that the average borrower pays back $793 for a $325 loan, because the borrower is often forced due to his financial circumstances to extend the loan and pay additional fees when the loan is due; and

WHEREAS the interest rate charged for payday loans is considered exploitative by many Alexandria residents, leading the City to oppose payday loans in recent years; and

WHEREAS, the United States Congress was so concerned about the detrimental effects of payday lending that it included a provision in the 2006 Defense Authorization Act, which was approved by the President, that caps the annual percentage rate at 36 percent on loans made to military borrowers and their families, including fees and other charges; and

WHEREAS, the City of Alexandria is concerned that its residents suffer from these same detrimental effects when they procure loans at the exorbitant interest rates charged by payday lenders; and

WHEREAS, the City of Alexandria asked its legislative delegation to oppose payday loans in its 2007 Legislative Package; and

WHEREAS, in its proposed 2008 Legislative Package, the City of Alexandria again asks its legislative delegation to oppose payday loans, or to limit the interest rate on them to 36 percent; and

WHEREAS, our neighboring jurisdictions of Maryland and the District of Columbia have already outlawed usurious interest rates for payday loans; and

WHEREAS, it is vital that the General Assembly and the Governor of Virginia give their earnest attention to these matters at the next regular session of the General Assembly and enact laws that will prevent further exploitative payday lending practices; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of Alexandria that the Virginia General Assembly and the Governor are requested to take action in the 2008 General Assembly Session to enact laws that will prevent further exploitative payday lending practices, including but not limited to: (1) an annual interest rate cap of 36 percent for any consumer loans; or (2) a prohibition on payday lending; and
BE IT FURTHER RESOLVED that the City Clerk provide copies of this resolution to the Governor and the members of the City’s delegation to the General Assembly.

ADOPTED: 

WILLIAM D. EUILLE  MAYOR

ATTEST:

Jacqueline M. Henderson, CMC, City Clerk
WHEREAS, the 2002 General Assembly enacted the Payday Loan Act, thus allowing certain lenders to make loans at an effective annual interest rate as high as 391 percent annually; and

WHEREAS, a study by the Center for Responsible Lending concluded that the average borrower pays back $793 for a $325 loan, because the borrower is often forced due to his financial circumstances to extend the loan and pay additional fees when the loan is due; and

WHEREAS, the interest rate charged for payday loans is considered exploitative by many Alexandria residents, leading the City to oppose payday loans in recent years; and

WHEREAS, the United States Congress was so concerned about the detrimental effects of payday lending that it included a provision in the 2006 Defense Authorization Act, which was approved by the President, that caps the annual percentage rate at 36 percent on loans made to military borrowers and their families, including fees and other charges; and

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BE IT FURTHER RESOLVED that the City Clerk provide copies of this resolution to the Governor and the members of the City's delegation to the General Assembly.

ADOPTED: November 19, 2007

WILLIAM D. EUILLE MAYOR

ATTEST:

Jackie Henderson, CMC City Clerk