

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH IN SUPPORT OF THE SAFE CONSUMER LENDING ACT (AB 2500)

WHEREAS, many families across California are living paycheck to paycheck; stagnant wages, high cost housing, childcare costs, and other financial strains are contributing to this problem; and

WHEREAS, some lenders see this despair as an opportunity to trap borrowers into high cost loans, with exorbitant interest rates that far too often lead them into financial run; and

WHEREAS, this type of abuse leads to damaged credit, repossession of cars, closure of bank accounts, law suits, wage garnishment, and even bankruptcy; and

WHEREAS, California law does not have a limit on the Annual Percentage Rate (APR) that lenders can charge on loans of \$2,500 to \$10,000; and

WHEREAS, according to a 2016 annual report by the California Department of Business Oversight, fifty-eight percent (58%) of loans from \$2,500 to \$5,000 had an APR of one hundred percent (100%) or higher; and

WHEREAS, in 2014, according to the National Consumer Law Center, these loans had a default rate of twenty percent (20%) to forty percent (40%); and

WHEREAS, the Trump Administration is rolling back important federal consumer protection regulations, including halting the Consumer Financial Protection Bureau's final rule on payday and car-title lending; and

WHEREAS, in February 2018, California State Assemblymember Ash Kalra introduced legislation, the Safe Consumer Lending Act (AB 2500), to extend California's current interest rate cap for consumer loans up to \$10,000; and

WHEREAS, under this law, a \$10,000 loan with a 12-month repayment plan

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would carry a maximum interest rate of twenty-four percent (24%); and

WHEREAS, putting a limit on APRs would level the playing field for lenders that are providing access to safe and affordable loans;

NOW THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. The City Council hereby supports the Safe Consumer Lending Act (AB 2500).

Section 2. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of April 17, 2018

by the following vote:

Ayes: Councilmembers: Gonzalez, Pearce, Price, Supernaw,
Mungo, Uranga, Austin, Richardson.

Noes: Councilmembers: None.

Absent: Councilmembers: Andrews.



City Clerk