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CALIFORNIA REINVESTMENT COALITION

September 9, 2013

Long Beach City Council
333 West Ocean Blvd., 4th Floor
Long Beach, CA 90802

Members of the Long Beach City Council:

I'm writing on behalf of the California Reinvestment Coalition (CRC). CRC advocates for the right of low-income communities and communities of color to have fair and equal access to banking and other financial services. We have a membership of 300 nonprofit organizations and public agencies across the state. CRC has been a leading voice in the struggle against predatory lending in local jurisdictions and at the state Capitol. We were instrumental in working with concerned residents, council members and city staff in San Francisco, Sacramento, San Jose and other cities to enact land use restrictions on the payday loan and other fringe financial services industries.

<u>We fully support the current moratorium on fringe financial businesses throughout Long Beach, including check cashers, payday lenders and auto title lenders.</u> We stand in solidarity with neighborhood groups including Wrigley Association, South Wrigley Neighborhood Advisory Group (NAG), Central Project Area Council (CPAC), Building Healthy Communities, Wrigley is Going Green and others who are urging the Council to adopt the most restrictive permanent zoning ordinance possible. We believe it is in the interest of Long Beach residents and communities for the Council to approve a "cap" on the existing number of payday and other fringe financial service providers and lenders in the City, similar to the provisions adopted in May of 2012 by the city of San Jose in northern California.

We believe there are a few key reasons for land use restrictions:

1. Payday loan consumers use the product because of the easy accessibility. In a 2007 payday loan study by the state Department of Corporations, researchers found that 24% of borrowers found out about their payday lender because they "saw a payday location and went in." When neighborhoods have an abundance of payday lenders and other high cost financial services, city residents will often use those services because it's "convenient," even if it's to their financial detriment. By restricting the proliferation of such asset-stripping entities, the City makes it more difficult for payday lenders to prey upon economically vulnerable consumers.

2. Storefront lenders are the exclusive source for 73% of payday consumers, according to a recent national study by Pew Charitable Trust, "Payday Lending in America." This study also found that in states with laws that restrict storefront payday lending, 95 out of 100 would-be borrowers elect not to use payday loans at all, and just 5 borrow online or elsewhere. Because the state legislature has failed to enact the protections and restrictions

474 Valencia Street, Suite 230 San Francisco, CA 94103 tel 415.864.3980 fax 415.864.3981 www.calreinvest.org

that consumers need, it is imperative for cities to use all authority available to restrict this harmful financial product, make it less convenient for consumers to access these loans and reduce the ability of lenders to inundate consumers in their neighborhoods.

3. Payday lenders are eight times more concentrated in African American and Latino communities than white ones, according to a 2009 study by the Center for Responsible Lending. Even after controlling for lower incomes and other factors, payday lenders are 2.4 times more concentrated in African American and Latino communities. This means that the industry targets ethnic minority communities regardless of income, while targeting lower income minority communities even more aggressively. Cities must set restrictions to ensure that some neighborhoods are not disproportionately and unfairly burdened by this industry.

4. The payday lending industry drained $135 million out of the California economy in 2011, according to a recent study by the Insight Center for Community Economic Development. Every dollar in interest paid subtracts $1.94 from the economy by reducing household spending. The City can help its local economy by limiting the payday interest paid and keeping more money in its residents' pockets.

While we support the Planning Commission’s policy recommendation to the Council, we urge the Council to consider limiting the total number of these businesses at their current number, and prohibiting any new fringe financial businesses from opening within a quarter mile (1,320 ft) of a “very low-income” census tract. As previously mentioned, the City of San Jose has set a precedent for this type of zoning ordinance.

Though the City Council cannot stop the usurious 459% APR interest rates on payday loans or the inescapable cycle of debt the loans create for borrowers, you can take strong steps to limit the easy accessibility of this product, especially to individuals who can least afford the loans. The evidence that these businesses target low and moderate-income neighborhoods and communities of color warrants action by local policy makers to adopt safeguards to prevent the over-proliferation of these businesses.

We commend the neighborhood organizations’ leadership in pushing for a moratorium and support their call for the most restrictive local ordinance possible. We urge the City Council to support a permanent “cap” on the number of these businesses. If you have any questions, please don’t hesitate to contact me.

Thank you for your time and consideration,

Liana Molina

Liana Molina, Organizer
California Reinvestment Coalition