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Long Beach, California

C-6

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April 17, 2018

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt Resolution of the City Council of the City of Long Beach in Support of the Safe Consumer Lending Act (AB 2500).

DISCUSSION

Pursuant to your request of April 3, 2018, this office has prepared and submits the above-described resolution for your consideration.

SUGGESTED ACTION:

Approve recommendation.

Very truly yours,

CHARLES PARKIN, City Attorney

By


LINDA T. VU
Deputy City Attorney

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RESOLUTION NO.

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

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

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

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

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

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

12 by the following vote:

13
14 Ayes: Councilmembers: _____
15 _____
16 _____
17 _____

18 Noes: Councilmembers: _____
19 _____

20 Absent: Councilmembers: _____
21 _____

22
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24 _____
25 City Clerk

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