



**City of Long Beach**  
Working Together to Serve

**Office of Gerrie Schipske, R.N.P., J.D.**  
**Councilwoman, Fifth District**  
**Memorandum**

**R-13**

Date: October 2, 2012

To: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

From: Councilwoman Gerrie Schipske, Fifth District *GS*  
Councilmember Robert Garcia, First District *RG*  
Councilmember Al Austin, Eighth District *al*  
Councilmember Steven Neal, Ninth District *SN*

Subject: **AGENDA ITEM:** Initiation of Moratorium Related to certain Payday Lending, Auto Title Loan, and Short-Term Consumer Finance Land Uses

**DISCUSSION:** The inability of lower income consumers with poor credit history to obtain certain services from federally insured banks and lending institutions has resulted in a two-tiered financial services industry. More financially stable consumers are generally able to use traditional banks or credit unions, which typically charge lower fees and interest rates and issue loans that are heavily regulated by either the federal or state governments. Lower income financially vulnerable consumers, on the other hand, often have to rely upon the alternative financial services industry for the same services. Predatory lenders typically seek out young or financially inexperienced borrowers who may have bank accounts and steady jobs, but also have little in savings or flawed credit or have hit their credit limits. Predatory loan products feature high fees and interest rates, with some requiring large balloon payments. Oftentimes lenders engaged in providing such loans obfuscate the comparative cost of their product with other options that may be available to the consumer.

So-called "Payday Lending", "Car Title Loan Lending" and "Short-Term Consumer Finance Lending" are part of the growing alternative financial services industry. Numerous states and the U.S. Military have effectively banned Payday, Car Title, and Short-Term Consumer Loans because of the extremely high interest rates charged for these services and the deleterious effects that such loans have on the most vulnerable of the population.

Car Title Loans are typically short term loans secured by the borrower's vehicle, which can be repossessed in the case of default on payments. Such loans tend to be small vastly over-secured loans with annual percentage rate interest payments in excess of 300 percent. Payday lending agencies, sometimes called payday check cashing agencies, accept post-dated checks in exchange for a cash payment. These short-term loans usually span approximately two weeks, although they can sometimes span a month. Typical interest rates on Payday Loans range from 300% APR to 400% APR, although reports of 1,000% APR are not uncommon. Short-Term Consumer Finance loans are generally typified by a cash advance, unsecured "signature" loan oftentimes carrying an effective interest rate exceeding 300% APR and a relatively short payback date.

HONORABLE MAYOR AND CITY COUNCIL

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October 2<sup>nd</sup>, 2012

Page 2

Predatory lending practices can be devastating to households and neighborhoods. Existing state and local laws do not go far enough to protect vulnerable consumers from predatory lending practices. Oftentimes such lenders are exempt from state usury laws, thereby allowing them to charge excessively high interest rates to their customers.

The City of Long Beach does not currently have effective zoning or land use regulations to deal with these relatively new financial loan products or their potential negative effects to the City and its residents. As elected officials we face many challenges and are given many opportunities to adopt ordinances to protect our citizens and maintain the general welfare of the community. It is vital that the City undertake the studies necessary to determine the appropriate land use and related regulations in order to insure the quality of life for our citizens. In order to maintain the status quo pending the outcome of the required studies, a moratorium is necessary in order to prevent the establishment of land uses that may later be determined to be inappropriate. In accordance with Chapter 21.50 of the Municipal Code, the City Attorney should be directed to prepare the necessary interim zoning (moratorium) ordinance for placement on Council's agenda for its consideration and potential adoption.

**RECOMMENDATION:**

Adopt a Minute Order pursuant to Chapter 21.50 of the Long Beach Municipal Code and request the City Attorney and the Planning Commission, in cooperation with the Development Services Department, to undertake a city-wide study of the City's existing zoning regulations as they relate to so called Payday Lending, Car Title Loan Lending, and Short-Term Consumer Finance Lending, and further request the City Attorney to prepare an interim zoning ordinance initiating a moratorium for a period of one year temporarily prohibiting the above described land uses until such time as the Planning Commission and Planning staff have completed their study and formulated a recommendation for the City Council's consideration.