OFFICE OF COUNCILMEMBER TODD GLORIA
COUNCIL DISTRICT THREE

MEMORANDUM

DATE: January 5, 2011

TO: Honorable Mayor Jerry Sanders

FROM: Councilmember Todd Gloria Todd Gloria

SUBJECT: 2011 Legislative Program/Payday Lenders

I have long been concerned about the impacts of payday lending establishments on the communities in my district.

Payday lending establishments have been shown to engage in exploitative lending practices that can result in increased costs to taxpayers and the overall community through personal bankruptcy filings, delinquent loan collection, police auctions of personal property, lost rent payments and personal debts. Testimony at the Land Use and Housing Committee in April of 2009 demonstrated that payday lenders in California commonly charge interest rates as high as 459% for a two-week $300 loan.

High-cost payday loans disproportionately harm women, minority families and low- to moderate-income borrowers. In San Diego, $15.9 million in fees is lost annually to payday lenders, with over $450 million lost throughout California.

I have prepared the attached resolution calling on the State Legislature to enact legislation capping the interest rates that can be charged by payday lending and check cashing establishments at 36%. This is the same rate the federal government enacted for the protection of military service men and women which has also been adopted in 15 states.

Please include this resolution for consideration as part of the City's 2011 Legislative Program when it is presented to the Rules Committee and the City Council.

cc: Members of the City Council
Jaymie Bradford, Intergovernmental Relations Director

Resolution of the City of San Diego Requesting that the California State Legislature Cap Payday Lending Annual Interest Rates

WHEREAS, The Council of the City of San Diego, California, represents the citizens of the City of San Diego and their significant concerns over the exploitative practices of payday lending facilities in San Diego and in the State of California; and

WHEREAS, An estimated 1.5 million California households use a payday lender eleven times annually for a $300 advance with a $45 fee which costs Californians over $740 million annually in fees alone; and

WHEREAS, San Diegans pay $15.9 million in fees to payday lenders annually; and

WHEREAS, numerous states, including New York, Connecticut, Georgia, Maryland, Massachusetts, New Jersey, North Carolina, Pennsylvania, Vermont, and West Virginia, and the District of Columbia have banned payday lending entirely; and

WHEREAS, High-cost payday loans disproportionately harm women, minority families and low- to moderate-income borrowers, and payday loan offices favor locations in neighborhoods with high concentrations of minority populations; and

WHEREAS, borrowers can be trapped in a vicious cycle of loans and debt due to the high interest fees associated with payday loans; and

WHEREAS, the Department of Defense has stated that payday lending practices have proven to be detrimental to Service members who have chosen these loans as a way of overcoming immediate needs for cash, and has suggested working towards state statutes capping interest rates and establishing usury ceilings; and

WHEREAS, Payday loan facilities impact the general public welfare including: taxpayer costs associated with increased personal bankruptcy filings, delinquent loan collection, and police auctions of personal property. Additional economic costs are incurred by the community as well, not only on the borrowers, but also on those who are forced to absorb their losses – lost rent payments, personal debts, and bankruptcy; and

WHEREAS, the California Legislature has the authority to enact laws that will prevent further exploitative payday lending practices; **NOW, THEREFORE, BE IT**

RESOLVED by the City of San Diego, California, that the California State Legislature is requested to enact laws that will prevent further exploitative payday lending practices, including but not limited to enactment of an annual interest rate cap of 36% for any consumer loan made in the State of California in order to save citizens and their communities the millions of dollars lost to predatory payday lenders.

BE IT FURTHER RESOLVED that the City Council requests that the Mayor and the City's Intergovernmental Relations Department diligently pursue this matter with the San Diego legislative delegation.