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Filed: 09-13-16

Sponsored by: Schilling

COUNCIL BILL NO. 2016-218 RESOLUTION NO. _____

A RESOLUTION

REQUESTING that the Consumer Financial Protection Bureau address the potential deficiencies contained in its proposed rule regarding payday loans and car title loans, and providing public comment concerning revisions necessary to remedy deficiencies in the proposed rule.

WHEREAS, on July 21, 2016, the Consumer Financial Protection Bureau (the "CFPB") published proposed rules in the Federal Register regarding payday loans and auto title loans; and

WHEREAS, the CFPB is currently taking public comment on the proposed rule in the Federal Register; and

WHEREAS, the proposed rule contains important new consumer protections, that the City Council believes will help keep debt from payday loans and auto title loans manageable, such as, establishing an ability-to-pay-requirement, and placing restrictions on short-term and long-term loans; and

WHEREAS, the City Council supports the efforts of the CFPB in attempting to address the issue of predatory lending practices, and wishes to provide public comment to the CFPB which encourages the CFPB to address potential loopholes contained in the proposed rule.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SPRINGFIELD, MISSOURI, as follows, that:

Section 1 – The City Council wishes to respectfully request that the CFPB reconsider three key aspects of the proposed rule:

a) That the proposed rule provides unnecessary exceptions to the ability-to-pay-requirement which should be eliminated.

b) That the proposed rule does not adequately address the issue of "flipping" short term loans. The language of the proposed rule makes it possible for predatory lenders to continue placing borrowers in ten or more payday loans a year.

c) That the proposed rule does not go far enough to ensure that, after repaying a loan the borrower will have enough funds left over to pay basic living expenses without having to resort to re-borrowing.

Section 2 – The City Council wishes to respectfully request that the CFPB revise the proposed rule as follows:

a) Require an ability-to-pay determination on every payday or auto title loan, without exception.

b) Limit the total indebtedness in short-term loans to 90 days per year.

c) Strengthen protections against “flipping” loans, especially for those loans issued for longer than 45 days.

d) Require lenders to show that loan payments will leave borrowers with enough funds to still be able to afford basic living expenses.

e) Provide regulations which check the extraordinary leverage that lenders have to extract repayment of these types of loans.

Section 3 - The City Council hereby directs the City Manager or his designee to forward this resolution to the CFPB in connection with the public comment process.

Section 4 - This Resolution shall be effective immediately upon adoption.

Passed at meeting: _____

_____
Mayor

Attest: _____, City Clerk

Filed as Resolution _____

Approved as to form: _____, Assistant City Attorney

Approved for Council action: _____, City Manager

EXPLANATION TO COUNCIL BILL NO: 2016-218

FILED: 09-13-16

ORIGINATING DEPARTMENT: Law

PURPOSE: To provide public comment to the Consumer Financial Protection Bureau (the "CFPB)"requesting that the CFPB address potential loopholes contained in its proposed rules regarding payday loans and car title loans.

BACKGROUND INFORMATION: On July 21, 2016, the CFPB published a proposed rule in the Federal Register. This proposed rule is intended to regulate payday loans and car title loans. The CFPB is currently taking public comments on the proposed rule. This Resolution, if enacted by City Council, would be forwarded to the CFPB as part of the public commenting process.

Submitted by:

Nicholas Woodman, Assistant City Attorney

Recommended by:

Frank Romines, City Attorney

Approved by:

Greg Burris, City Manager