RESOLUTION NO. .

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

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RESOLUTION REQUESTING THAT THE FEDERAL CONSUMER FINANCIAL PROTECTION BUREAU, THE UNITED STATES CONGRESS AND THE CALIFORNIA STATE LEGISLATURE TAKE ACTION TO PROTECT CONSUMERS FROM USURIOUS PAYDAY LENDERS

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, the San Mateo County Board of Supervisors, represents the citizens and residents of San Mateo County and its 20 municipalities; and

WHEREAS, the Board of Supervisors and the citizens of San Mateo County are deeply concerned about harmful effects of payday lending practices locally, elsewhere in the state of California and across the country; and

WHEREAS, San Mateo County adopted an ordinance on June 26, 2012, regulating the establishment of payday lending storefronts, to protect San Mateo County consumers from usurious lenders; and

WHEREAS, research conducted by Community Legal Services in East Palo Alto (CLSEPA) determined that, in California, there are over 2,000 of these high-cost payday lending storefronts, making over $3 billion in triple-digit interest rate loans to Californian families each year, and draining over $578 million in payday loan fees every year from people in our communities who are least able to pay; and

WHEREAS, research conducted by CLSEPA determined that the hundreds of millions of dollars paid in payday loan fees is draining economic resources from our communities and leading to a net loss of $135 million in economic activity and loss of 1,975 jobs in the state; and

WHEREAS, research conducted by CLSEPA provides that the Consumer Financial Protection Bureau (CFPB) found that during a 12-month period, borrowers took out a median of 10 loans, and more than 80% of loans were rolled over or renewed within two weeks and that borrowers who take out 11 or more loans each year account for roughly 75 percent of the fees generated; and

WHEREAS, research conducted by CLSEPA provides that data from the California Department of Business Oversight indicates that more than 75% of payday loan fees in CA are paid by borrowers taking out 7 or more loans per year, and 60% of fees are from those with 10 or more per year; and

WHEREAS, research conducted by CLSEPA determined that 15 states including the District of Colombia have adopted a 36% or lower annual percentage rate cap for these small loans and the federal government has adopted a similar rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans, “undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force”; and

NOW, THEREFORE, IT IS HEREBY RESOLVED that that San Mateo County

Board of Supervisors urges the Consumer Financial Protection Bureau (CFPB), the United States Congress and the California State Legislature to take action this year to enact rules and/or laws that will: 1) require lenders to determine a borrower's ability to repay a loan, including consideration of income and expenses, 2) not sanction any series of repeat loans or provide any safe harbor to poorly underwritten loans; 3) establish an outer limit on length of indebtedness that is at least as short as the FDIC's 2005 guidelines – 90 days in a twelve-month period; 4) restrict lenders from requiring a post-dated check or electronic access to a borrower's checking account as a condition of extending credit; and 5) limit the annualized percentage interest rates of loans to 36% or less.

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