




MEMORANDUM

TO: Members of the Council Economic Opportunity Committee

FROM: Rondella Hawkins, Telecommunications & Regulatory Affairs Officer 

DATE: December 8, 2015

SUBJECT: Council agenda item on 12/17/15 - Amendments to Credit Access Business Ordinance Number 20110818-075

The purpose of this memo is to provide an overview on proposed amendments to the City's Credit Access Business Ordinance No. 20110818-075 that staff is bringing forward to City Council on December 17, 2015.

Background

In 2011, the City Council adopted Ordinance No. 20110818-075 to protect the citizens of Austin by monitoring credit access businesses (CAB), commonly referred to as "payday lenders" and "auto title lenders" in an effort to reduce abusive and predatory lending practices. Concerns of predatory and abusive lending include:


- Unregulated interest rates and fees that frequently exceed 450% per year;
- Unlimited loan rollovers, renewals and refinancing that cause high interest loan obligations to grow rather than be repaid;
- Extension of credit with no assessment of borrower's ability to repay loans; and
- Few if any alternatives to high interest loans

The Ordinance establishes a registration program for CABs, imposes recordkeeping requirements on CABs, and imposes restrictions on extensions of consumer credit made by those businesses. Businesses must first possess a State license issued by the Texas Office of Consumer Credit Commissioner (OCCC) before they can obtain a City of Austin certificate of registration.

The Telecommunication & Regulatory Affairs Office is responsible for administering the ordinance, including the registration, program development and implementation, monitoring, and enforcement of the estimated 94 CABs who currently operate in the City. Since the time that staff has administered the CAB ordinance, we have identified ordinance provisions that need clarification or enhancements to bolster the City's monitoring, enforcement and compliance by CAB's while also reducing the total costs paid by CAB borrowers.

Proposed Ordinance Amendments:

1. The current ordinance requires that material change notices (for change of address and any change in the status of the state license holder) from CAB registrants be submitted to the City up to 45 days after the changes are made. The amendment establishes that the material change be submitted in writing, at least ten (10) days prior to the effective date of the changes.

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2. The current ordinance requires CABs to submit quarterly reports to the City that they submit to the state OCCC. However, it doesn't require businesses to submit report revisions to the City and it does not specify the format for the reports. The amendment establishes the authority for the City to prescribe the format and method for the submission of annual and quarterly reports and report revisions that the businesses submit to the OCCC.
 3. The current ordinance sets out certain lending guidelines including that loans must be repaid in no more than 4 installments and that installment payments must be used to repay at least 25% of the principal amount of the loan. However, it doesn't clearly define the total debt obligation (including fees and other charges) to be repaid in a maximum of four (4) installments. The amendment clarifies that all loan obligations, including all charges and fees, be fully repaid within no more than four (4) installments; it requires that at least 25% of the total debt obligation be repaid with each installment; and it requires that the total debt obligation be fully repaid after the fourth and final payment.
 4. The current ordinance requires businesses to provide borrowers a list of referrals to non-profit agencies that provide financial education and training as well as agencies with cash assistance programs. The amendment requires that credit access businesses provide current resource referral information that is maintained on the City's website.
 5. Another proposed amendment provides staff the authority to require each credit access business to display a Borrower's Rights poster that gives additional information and summarizes rights of the borrower and provides City contact information. This is a clarification of the current ordinance.
 6. Another proposed amendment establishes authority to require CABs to provide copies of all signed documents and contracts to the borrower upon request-- a requirement that is not in the current ordinance. The code amendment does not prescribe a fee for the borrower to obtain additional copies of the documents.
 7. The final proposed amendment establishes the authority and process for the City to revoke a credit access business certificate of registration issued by the City and establishes an appeal process for the credit access business through a hearing examination. This authority and process are not contained in the current ordinance.

cc: Marc A. Ott, City Manager
Mark Washington, Interim Assistant City Manager