

**AGENDA**



**Recommendation for Council Action**

Austin City Council	Item ID	51711	Agenda Number	73.
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Meeting Date:	12/17/2015	Department:	Telecommunications and Reg Affairs
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**Subject**

Approve an ordinance amending City Code Chapter 4-12 relating to the regulation of credit access businesses.

**Amount and Source of Funding**

**Fiscal Note**

Purchasing Language:	
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Prior Council Action:	Adopted Ordinance No. 20110818-075 in August 2011.
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For More Information:	Rondella M. Hawkins, TARA Officer, 512-974-2422
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Council Committee, Boards and Commission Action:	To be reviewed by the Economic Opportunity Committee on December 14, 2015
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MBE / WBE:	
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Related Items:	
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**Additional Backup Information**

City Council adopted Ordinance No. 20110818-075, now codified in City Code Chapter 4-12, to protect the citizens of Austin by monitoring credit access businesses (CABs), commonly referred to as “payday lenders” and “auto title lenders” in an effort to reduce abusive and predatory lending practices. 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. A business 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 Telecommunications & 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, staff has identified provisions in the current ordinance that need clarification or enhancements that will bolster the City’s monitoring, enforcement and compliance by CAB and should reduce the total costs paid by CAB borrowers.

Staff proposes the following amendments:

1. The current ordinance requires that material change notices (for change of address and any change in the status of the state license held) 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.
2. The current ordinance requires CABs submit quarterly reports to the City that they submit to the 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 four (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 and 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 CAB post 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 CAB 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.

Staff recommends that Council approve the proposed ordinance amendments.

