

**RESOLUTION NO.**

**WHEREAS**, the COVID-19 pandemic has caused devastating economic distress in our community, leaving many Austin residents uncertain about their ability to pay bills in the months to come, including loan payments, financial penalties, and banking fees; and

**WHEREAS**, large financial institutions have advocated for government assistance during times of economic crisis to remain operational, but their customers do not have the same resources to advocate for consumer protections; and

**WHEREAS**, Prosperity Now's 2020 Texas Score Card indicates that approximately 7.3% of Austin residents are unbanked, 18.1% of Austin residents are underbanked, and 34.6% of Austin residents do not have sufficient liquid assets to subsist above the poverty level for three months in the event of a loss of income, and each of these categories of residents are more vulnerable to predatory lending practices; and

**WHEREAS**, the Texas Attorney General issued Opinion KP-0277 in November 2019, affecting credit access business licensing, which potentially allows certain payday and auto title loan businesses to avoid compliance with existing local ordinances, such as City Code Chapter 4-12, undermining effective local protections and exposing residents to new predatory lending risks; and

**WHEREAS, predatory lenders use abusive and legally questionable tactics,**

21 such as telling customers that they must agree to automatic withdrawals from a  
22 checking or savings account in order to receive a line of credit, without informing  
23 customers of alternative payment methods or their right to cancel automatic  
24 payments; and

25 **WHEREAS,** various federal financial assistance programs, including those  
26 initiated by the CARES Act disaster relief bill, are implemented based on the filing  
27 of income taxes, and including direct deposit information in tax returns ensures that  
28 a person eligible for funds under the CARES Act will receive funds quickly and  
29 automatically; and

30 **WHEREAS,** predatory lenders' abuse of automatic withdrawals could mean  
31 that customers who are eligible to receive relief funds under the CARES Act may  
32 have federal disaster relief payments withdrawn as quickly as they are deposited; and

33 **WHEREAS,** many low-income residents are not required to file taxes, or face  
34 challenges in preparing documents or setting up direct deposit, and so rely upon the  
35 assistance of trusted non-profit service providers to help access these disaster relief  
36 and financial assistance resources; and

37 **WHEREAS,** non-profit service providers have piloted and are prepared to  
38 expand a mobile application that allows for tax preparation assistance to occur  
39 remotely and in compliance with current physical distancing emergency orders prior  
40 to the extended tax filing deadline of July 15, 2020

~~WHEREAS, advocates locally and nationally have been working to ensure fair financial services and practices for vulnerable people impacted by this economic crisis, to mitigate penalties that may exacerbate financial distress;~~ **NOW,**

**THEREFORE,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

The Council asks financial institutions with customers in Austin to recognize the extraordinary and fast-moving economic crisis facing our residents, and to consider the important role residents will play in our community's economic recovery by making every effort to assist and accommodate residents with financial services at this time. These actions include:

- Waiving service fees such as overdraft fees, late payment fees, and check cashing fees and make the waiver as automatic as possible;
- Ensuring that fraud protections prioritize flexibility for customers, including accepting as many forms of identification as possible, such as foreign consular ID cards;
- Implementing a streamlined loan forbearance request and payment deferral request process available online or by phone, with flexible extensions and a process to help affected customers catch up on payments when the emergency declaration is no longer in place;
- Refraining from negative credit reporting for borrowers with an active

forbearance or payment plan in order to minimize long-term harmful financial impacts of the current crisis;

- Expanding customer assistance programs to provide customers with flexibility in deadlines and required documentation;

- Expanding outreach efforts to serve customers, if possible, by reassigning staff to make phone calls and emails to initiate assistance;

- Working with local agencies to distribute philanthropic aid to cover immediate basic needs but also strategies to help Austin residents navigate their new options in the current financial system to prevent predatory lending downfalls and to promote financial stability;

- Facilitating customer requests to discontinue ~~Automatic Clearing House~~automatic withdrawals and debit payments to predatory lenders operating as payday lenders or auto title lenders;

- Expanding outreach warning of predatory lending practices and fraud, and providing information about resources available for victims of predatory lenders;

- Avoiding selling new financial products that may incentivize additional risky financial behavior, which will exacerbate economic distress and slow recovery for individuals because of missed payments or penalties in the future; and

- Working with local stakeholders, community development financial institutions, financial education nonprofits such as Financial Literacy Coalition

of Central Texas, and fair financial services advocates such as Texas Appleseed to develop outreach strategies and assistance plans.

**BE IT FURTHER RESOLVED:**

The City Manager is directed to evaluate proposals from existing or new social service providers to expand tax preparation and direct deposit assistance, including outreach efforts to targeted low-income communities, and return to City Council for approval or ratification of needed contractual agreements by the April 23, 2020, Council meeting.

**BE IT FURTHER RESOLVED:**

The Council directs the City Manager to assess and update the City's consumer protection ordinances and rules to ensure continued efficacy in light of the Attorney General Opinion KP-0277. The City Manager should present an updated draft ordinance for Council approval no later than April 23, 2020.

**ADOPTED:** \_\_\_\_\_, 2020

**ATTEST:** \_\_\_\_\_

Jannette S. Goodall  
City Clerk