

Credit Access Business Ordinance Proposed Amendments

Presentation to Economic Opportunity Committee
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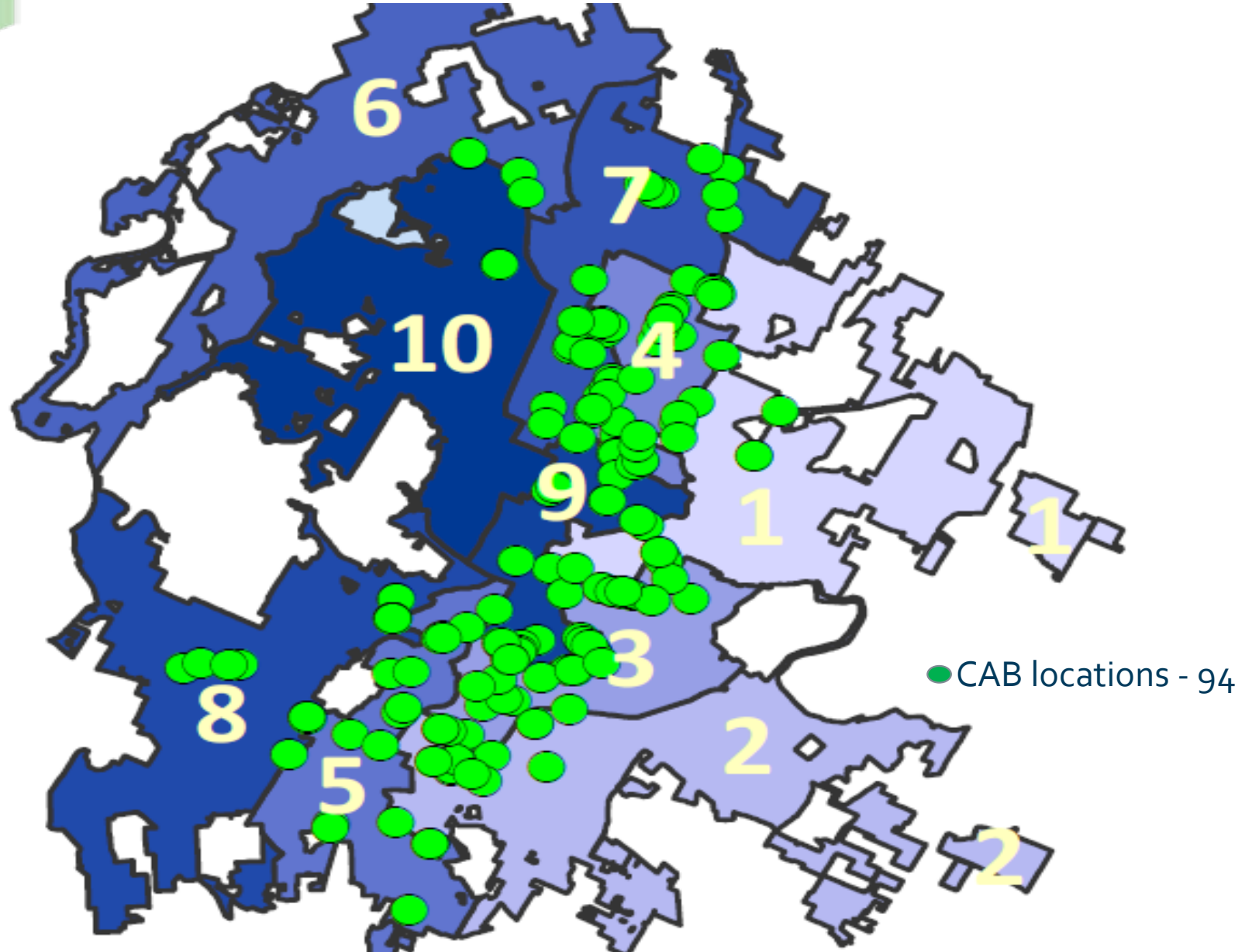




Credit Access Business (CAB) Ordinance

- Council-initiated new ordinance effective in 2012
- Requires annual registration and sets restrictions on loan agreements for payday and auto title lenders
- Goal is to minimize predatory lending practices in Austin
- Telecommunications & Regulatory Affairs implement new program and enforces Ordinance with 1 full-time employee
- Provide public information and outreach efforts to inform consumers and CAB's about the requirements of the Ordinance

Current CAB locations in City limits



Key Provisions of Credit Access Business (CAB) Ordinance

- Business must obtain a state-issued CAB license
- Annual registration with \$50 fee and annual renewal with notice of any material change within 45 days
- Maintenance of all loan documents for 3 years available for City inspection or complaint resolution
- Provide the City all quarterly reports filed with the Office of Consumer Credit Commissioner (OCCC)



Key Ordinance Provisions

- Cash advanced for a pay day loan may not exceed 20% of the consumer's gross monthly income
- Verification of auto appraisal for auto title loan
- Verification of consumer income
- Extension of credit for installment loan repayment may not be payable in more than 4 installments
- Extension of credit for lump sum repayment may not be refinanced/renewed more than 3 times
- Any CAB found in non-compliance is subject to civil penalties of a Class C misdemeanor and fine up to \$500/day/per offense



Staff Proposed Changes to Improve Enforcement

1. Require *written* notice of all material changes within 10 days from the current 45 days maximum notice
2. Require quarterly and annual lending transaction reports and all report revisions provided to the OCCC in a format prescribed by the City - the report format is not specified in the current Ordinance
3. Clarify that loans that allow for repayment in the form of installment plans must be repayable within 4 installments and the proceeds from each installment must be used to repay at least 25% of the *total debt obligation* (including principal, fees and interest)

Staff Proposed Changes

4. Clarify requirement to provide **current** financial education and assistance referral information
5. Require CABs to post borrower's rights poster which summarizes consumer rights and provides City staff contact information - clarification of current ordinance
6. Require CABs to provide copies of all signed documents and contracts to borrower - not in current ordinance
7. Establish City revocation authority of CAB certification for non-compliance and establishes appeals process for CABs – not in current ordinance



Requested Action by EOC

Staff requests Economic Opportunity Committee recommendation to approve proposed amendments – item posted for City Council action on December 17, 2015