



## Legislation Text

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### Res. No. 1812

Resolution calling upon the City of New York to divest its assets from financial institutions that evade New York State's usury law.

By Council Members Lappin, Brewer, Dickens, Gerson, Jackson, James, Koppell, Liu, Nelson, Sanders Jr. and White Jr.

Whereas, The root of our nation's current financial crisis resides in the credit market, an industry with minimal federal oversight and regulation; and

Whereas, Each of the 50 states has the authority to regulate usury within its borders, granting each state the discretion to cap the amount of interest charged by a lender at a certain rate; and

Whereas, The maximum allowable interest rate in New York State is capped at 16%; and

Whereas, Enormous discrepancies in allowable interest rates exist from state to state, such as the stark difference between New York and New Jersey: lenders based in New Jersey are legally allowed to charge borrowers nearly twice as much in interest as lenders based in New York; and

Whereas, These inconsistencies on a national scale incentivize organizations such as banks and credit card companies to evade New York State's usury laws by relocating to states whose laws allow lenders to charge interest rates higher than what New York law permits; and

Whereas, As a result of the 1978 U.S. Supreme Court ruling in *Marquette v. First Omaha Service Corp.*, lenders that affix the word "national" to their name are allowed to export their home state's high interest rate to borrowers in New York and other states; and

Whereas, A lack of federal regulation has created a hostile environment for subprime, or low-income borrowers, who can easily fall victim to deceptive and predatory lending agreements that increase the chance of

defaulting on a mortgage and ultimately losing a home or property through foreclosure and repossession; and

Whereas, Predatory lending tactics not only harm individual New Yorkers, but also harm the entire city, for an increase in the foreclosure rate triggers a decline in property value for entire neighborhoods; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the City of New York to divest its assets from financial institutions that evade New York State's usury law.

JCG  
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