



## Legislation Text

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**File #:** Res 0246-2004, **Version:** A

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### Res. No. 246-A

Resolution calling upon the Metropolitan Transportation Authority and its subsidiaries to stop the practice of leasing advertising space to businesses providing payday loan services, and in the alternative, calling upon the Metropolitan Transportation Authority to require payday loan companies to disclose pertinent information in their advertisements.

By Council Members Sears, Comrie, Nelson, The Speaker (Council Member Miller), Barron, Fidler, Gennaro, Jackson, Jennings, Koppell, Quinn, Recchia, Sanders, Weprin, Yassky, Clarke, Gentile, James, Liu, Seabrook, Brewer, Monserrate and The Public Advocate (Ms. Gotbaum)

Whereas, There has been an apparent recent increase in the number of advertisements sponsored by companies that offer payday loans to New Yorkers; and

Whereas, Payday loans are short-term consumer loans that often carry extremely high interest rates; and

Whereas, In a payday loan transaction, the consumer takes out a loan against his or her next pay check, providing the lender with a personal check for the loan amount plus a fee for interest and other charges; the lender holds the personal check until the consumer's next payday, at which point the consumer can redeem the check for cash, allow it to be deposited, or, in many cases, "roll over" the loan by paying additional interest and extension fees; and

Whereas, This practice is not permitted under New York State law, however, companies that provide these loans are often located outside of the state and are therefore able to import their own state's usury laws; and

Whereas, According to a 2000 Public Interest Research Group survey of 230 payday lenders in 20 states, the average Annual Interest Rate (APR) on payday loans was 474%; and

Whereas, Payday loans are generally made to lower middle income families who need cash quickly; and

Whereas, These lower middle income families are by far the most vulnerable to being taken advantage of by payday loan high interest rates; and

Whereas, According to Jean Ann Fox, director of the Consumer Federation of America, payday lending is the "most toxic form of consumer lending...a recipe for disaster for the borrower;" and

Whereas, Companies that offer the payday loans frequently advertise on buses and subways operated by New York City Transit; and

Whereas, New York City Transit is a subsidiary of the Metropolitan Transportation Authority (MTA) and can therefore be directed by the MTA to use greater discretion when selecting the types of advertisements that will be posted on its buses and subways; and

Whereas, If the MTA refuses to stop leasing such ads, the agency should require that terms and conditions of any payday loan be clearly disclosed in the advertisements; and

Whereas, These terms and conditions should include, but not be limited to the following information: all requirements of the Federal Truth in Lending Act, the state in which the banking loan is chartered, the personal and financial information required of the applicant, the APR that the loan is subject to, the fact that a fee schedule can be made available upon request, an example of a typical loan payment schedule that includes interest and a phone number and address where an applicant can direct complaints against the lending institution; and

Whereas, Pursuant to the MTA's advertising standards, the agency will reject not only advertisements that contain lewd and offensive material, but also those advertisements that contain misleading commercial information; and

Whereas, As a public agency, the MTA has a responsibility to spend taxpayer money efficiently and effectively and to be accountable to the public that it serves; and

Whereas, The MTA is not providing a service that benefits the riding public by allowing companies that provide payday loans to advertise on its buses and subways; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the Metropolitan Transportation Authority and its subsidiaries to stop the practice of leasing advertising space to companies providing payday loan services, and in the alternative, calls upon the Metropolitan Transportation Authority to require payday loan companies to disclose pertinent information in their advertisements.