

ORDINANCE No.

* Provide for regulation of payday lending practices that occur in the City of Portland (Ordinance; add Code Chapter 7.26).

The City of Portland Ordains:

Section 1. The Council finds:

1. The Charter of the City of Portland, Section 2-105 (a) 17 provides for licensing and regulation of businesses operating in the City of Portland. Payday lenders previously have not been subject to regulatory licensing by the City of Portland.
2. These businesses should be regulated by the City of Portland because certain payday lending practices have proven detrimental to the financial security of individuals and families residing in the City. Payday lending practices often have an unreasonably adverse effect upon the elderly, the economically disadvantaged and other residents of the City. Frequently, taking a payday loan puts borrowers in much worse financial shape than before they took the loan.
3. Payday loans are short-term loans, typically for an initial term of 14 days or less, coinciding with the borrower's next paycheck. Borrowers are charged a flat fee to obtain a payday loan. These fees amount to annual interest rates which exceed five hundred percent. Usually, borrowers are required to repay the full loan in a single payment at the end of the 14-day term. When borrowers are unable to repay the full loan in a single payment, borrowers can either renew or default on the loan. To renew a loan, borrowers incur another fee, which again may exceed five hundred percent interest per annum. By the end of the state's statutory limit on the number of loan renewals, currently limited to three renewals, borrowers will pay fees which nearly equal the original amount borrowed and may not be able to repay the principal originally borrowed. In the absence of significant state regulation, it has fallen upon local governments to act to protect working families.
4. Therefore, the purpose of this ordinance is to require licensing for the purpose of regulating certain payday lending practices to minimize the detrimental effects of such practices on the citizens of the City by regulating payday lending practices occurring in the City, consistent with the laws of the State of Oregon.
5. The need for local regulation is critical to protecting the short and long-term financial security of working citizens struggling to lift their families out of poverty. Unfortunately, Council is unable to enact interest rate caps, due to the limitations of state law. If Council were able to enact interest rate caps on payday loans, Council would enact such regulation. Council, therefore, calls upon state regulators to enact such caps to further protect citizens.

6. The Council hereby declares that if any section, subsection, sentence, clause or phrase of this Ordinance, or the amendments to the Portland City Code it adopts is for any reason held to be invalid or unconstitutional the validity of the remaining portions of the Portland City Code, including but not limited to the City's Payday Lending regulations shall not be affected. Council declares that it would have adopted the City's Payday Lending regulations as provided by Exhibit A to this Ordinance, regardless of the fact that any one or more sections, subsections, sentences, clauses, or phrases of this Ordinance may be found to be preempted, invalid or unconstitutional.

NOW, THEREFORE, the Council directs:

- a. City Code Chapter 7.26 Payday Lending is added, as provided in Exhibit A.

Section 2. The Council declares that an emergency exists because the financial security of many Portland families is in jeopardy due to the lending practices of certain Payday Lenders; therefore, this ordinance shall be in full force and effect from and after its passage by Council. However, Payday Lenders will have 60 days to receive a license, and no civil penalties will be enforced for 60 days.

Passed by the Council,

Commissioner Dan Saltzman
Prepared by Shannon Callahan
February 22, 2006

GARY BLACKMER
Auditor of the City of Portland
By
Deputy