



## AGENDA MEMORANDUM

First Reading for the City Council Meeting of July 28, 2015  
Second Reading for the City Council Meeting of August 11, 2015

**DATE:** July 18, 2015

**TO:** Ronald L. Olson, City Manager

**FROM:** Tom Tagliabue, Director, Intergovernmental Relations  
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Amending the Code of Ordinances to create credit access business regulations

### **CAPTION:**

Ordinance amending the Corpus Christi Code of Ordinances by adding a new chapter, Chapter 5, Business Regulations; Creating Chapter 5, Article I - CREDIT ACCESS BUSINESSES to set forth registration requirements and credit extension guidelines for credit access businesses; providing for severance; providing for publication; providing for penalty; and providing an effective date.

### **PURPOSE:**

The purpose is to adopt an ordinance requiring credit access businesses located within the city limits of the City of Corpus Christi to register annually and limit certain practices to protect citizens from predatory lending practices. Corpus Christi would become the 26<sup>th</sup> municipality in Texas to adopt the model ordinance drafted by the Texas Municipal League (TML).

### **RECOMMENDATION:**

None

### **BACKGROUND AND FINDING:**

Consumer advocates and community activities are urging municipalities, such as Corpus Christi, to use the city's ordinance-making powers to rein in lending practices of payday lenders, also known as credit access businesses or auto title lenders, because the State of Texas has failed to take significant action. The actions requested of municipalities generally include, but are not limited to: (1) regulating the location of payday lending businesses through municipal zoning regulations and (2) limiting the size of loans, interest rates and fees charged by the payday lender to the consumer.

As of July 1, 2015, 25 Texas cities are known to have enacted business regulations over payday lenders. Those 25 cities represent almost 29 percent of the population of the State of Texas.

In Texas, payday and auto-title lending is an estimated \$4-billion-a-year industry. The Office of Consumer Credit Commissioner (OCCC), the state agency responsible for licensing and regulating these businesses in Texas, reports that there are an estimated 3,000 credit access business locations in Texas. According to the OCCC, there are approximately 75 credit access business stores inside the Corpus Christi Metropolitan Statistical Area (MSA), which includes Aransas, Nueces and San Patricio Counties. Some 64 credit access business stores (almost 88.8%) are located within the city limits of Corpus Christi. Three each are located in Portland in San Patricio County and Rockport in Aransas County and two stores are located in Robstown in Nueces County.

Supporters of the industry claim lenders offer a needed service to consumers who have few options for short-term loans. Critics say the businesses prey on struggling Texans by charging high fees and trapping borrowers in a cycle of debt.

A workshop on credit access business model ordinance was conducted by the Intergovernmental Relations Department and Bennett Sandlin, Executive Director of the Texas Municipal League, on October 14, 2014. The City Council met in Executive Session on June 16, 2015, to consult with attorneys concerning litigation and other legal matters related to related to payday lending regulations.

If Council approves adoption of the ordinance, Intergovernmental Relations Director, City Attorney's office and Development Services Department will consult with the Public Information Office on development of appropriate forms and documents, notices, website development and other required business processes for the efficient implementation of the ordinance within 90 days.

**ALTERNATIVES:**

1. Adopt the model ordinance entirely as 25 other Texas cities have done
2. Reject the model ordinance entirely
3. Enact land use regulations as 14 Texas cities have done
4. Revise the ordinance to include only business registration
5. Take no action and maintain status quo

**OTHER CONSIDERATIONS:**

Not Applicable

**CONFORMITY TO CITY POLICY:**

**EMERGENCY / NON-EMERGENCY:**

Non-Emergency

**DEPARTMENTAL CLEARANCES:**

Legal, Development Services

**FINANCIAL IMPACT:**

<b>Fiscal Year: 2014-2015</b>	<b>Project to Date Expenditures (CIP only)</b>	<b>Current Year</b>	<b>Future Years</b>	<b>TOTALS</b>
<b>Line Item Budget</b>				
<b>Encumbered/ Expended Amount</b>				
<b>This item</b>				
<b>BALANCE</b>				

**LIS**  **Operating**       **Revenue**       **Capital**       **Not applicable**

**Fund(s):**

**Comments: None**

**LIST OF SUPPORTING DOCUMENTS:**

- Attachment 1 – Ordinance
- Attachment 2 - Presentation
- Attachment 3- Map of State-Licensed Credit Access Business locations in Corpus Christi by City Council District
- Attachment 4 - OCCC Credit Access Business Annual Reporting for Corpus Christi MSA (2012-2014)