

# RESOLUTION OF THE CITY COUNCIL

No. 418

Approved November 17, 2008

WHEREAS, The United States does not have a federal usury rate establishing a maximum interest rate that can be charged to an individual when he or she takes out a loan or opens a credit card account; and

WHEREAS, Usury statutes protect people from being taken advantage of and convinced to take on loans they cannot afford; and

WHEREAS, Allowing excessive interest rates disproportionately hurts those at the bottom of the economic ladder, who have accepted such high rates because financial hardship had left them with few other options; and

WHEREAS, 48 out of the 50 states have passed usury laws to protect their citizens; and

WHEREAS, These law were rendered unenforceable in 1978 when the Supreme Courts ruled in *Marquette Bank of Minneapolis v. First of Omaha Service Corporation* that a bank operating nationally could charge interest up to the amount allowed by the bank's home state; and

WHEREAS, Since the *Marquette* ruling, banks and credit card companies have moved their operations to states with no restrictions on interest rates, circumventing state usury statutes; and

WHEREAS, In 1991, the United States Senate passed a bill capping credit card interest rates at 14% but the House of Representatives failed to take further action; and

WHEREAS, The United States is currently facing a financial crisis caused in large part by predatory lending practices; and

WHEREAS, Many leading economists and financial forecasters are predicting a "credit crunch", resulting in limited credit availability and increased interest rates; and

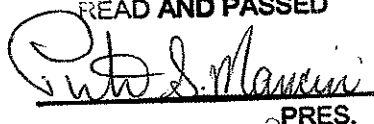
WHEREAS, Some credit card companies are currently charging interest of 30% or more, making it extremely difficult for hardworking Americans to break the cycle of debt; and

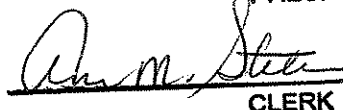
WHEREAS, A national usury law would provide immediate relief to those people facing high credit card debt, allowing them to save more, provide a higher quality of life for their families, and bolster the economy.

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Providence does hereby urge the United States Congress and the President-Elect to adopt legislation establishing a federal usury rate of 10%, or no more than 2 percentage points higher than the change in the Consumer Price Index each year, for credit card lending.

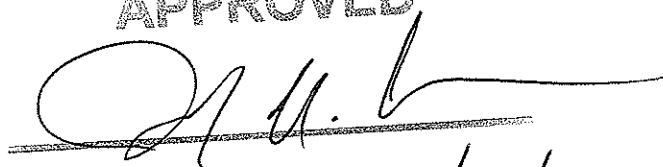
BE IT FURTHER RESOLVED, That upon adoption, copies of this resolution be forwarded to Congressmen Patrick J. Kennedy and James R. Langevin, and Senators Jack Reed and Sheldon Whitehouse as well as the members of the Senate Committee on Banking, Housing, and Urban Affairs, and the House Committee on Financial Services.

IN CITY COUNCIL  
NOV 6 2008  
READ AND PASSED

  
PRES.

  
CLERK

APPROVED

  
MAYOR 11/17/08