

RESOLUTION NO. 30200

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, TENNESSEE REQUESTING THE MEMBERS OF THE TENNESSEE GENERAL ASSEMBLY SUPPORT LEGISLATION AMENDING TENNESSEE CODE ANNOTATED, TITLE 45, CHAPTER 15 RELATIVE TO THE TENNESSEE TITLE PLEDGE ACT.

WHEREAS, a report released by the Tennessee Department of Financial Institutions revealed that Tennessee's title lending industry has taken thousands of borrowers' cars after charging borrowers sky-high rates; and

WHEREAS, Tennessee has approximately 1200 title loan locations across 89 of Tennessee's 95 counties per Joda Thongnopnua, the author of *"Fighting Predatory Lending in Tennessee: A simple strategy for cities and counties"* (January 2018); and

WHEREAS, Tennessee has the most title pledge lending locations in the United States; and

WHEREAS, Typically, traditional banks are restricted in the amount of interest rate they can impose on borrowers, with limits of ten (10%) percent or eleven (11%) percent for consumer loans but title pledge lenders are allowed by Tennessee law to charge annual percentage rates (APRs) up to three hundred (300%) percent; and

WHEREAS, People without a four-year college degree, renters, African-Americans, and those earning less than \$40,000 annually are the most likely to have borrowed money from a title pledge lending institution, and these types of loans carrying some of the highest interest rates in the financial industry; and

WHEREAS, Advocacy groups combating predatory lending have offered a three-prong strategy for municipalities to implement in order to help their citizens have lending options that encourage upward mobility and break the cycle of poverty:

- 1) **Warn**: Leverage laws allowing municipalities to regulate signage and require predatory lenders to post plainspoken warnings on all exterior signage (e.g., billboards...) about the dangers and risks associated with their services;
- 2) **Permit**: Require an additional local permit to operate a predatory lending establishment in city boundaries; and
- 3) **Lend**: Create an alternatively, community-based, and nonprofit lending institution under the same legal structure utilized by predatory lenders, featuring affordable rates, transparent fees, and honest underwriting practices.

WHEREAS, The Chattanooga City Council recognizes that title pledge lending institutions are primarily regulated by federal laws and financial regulations, however, the state of Tennessee can lower the rates of interest and charges that these lenders are allowed to charge to its citizens.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, TENNESSEE, That this Council, after careful consideration hereby requests the Hamilton County Legislative Delegation and members of the Tennessee General Assembly enact legislation amending Tennessee Code Annotated, Title 45, Chapter 15, in order to lower the current rates of up to two (2%) percent per month in interest and renewal charges that title pledge lenders are entitled to charge Tennessee consumers.

BE IT FURTHER RESOLVED, That the Hamilton County Legislative Delegation and members of the Tennessee General Assembly shall be made aware of this important request by copy of this resolution.

ADOPTED: January 28, 2020

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