

BUSINESS AND ECONOMIC DEVELOPMENT (BED)

Resolution BED-23-03

PROTECTING CONSUMERS IN A NEW FINANCIAL ENVIRONMENT

WHEREAS, fintech is an emerging industry in the United States and the world that uses technology to improve and expand ways of doing business with the area of finance and technology;

WHEREAS, according to Experian, as of March 2019, financial technology loans comprised nearly 50 percent of the non-credit card, unsecured consumer loan market;

WHEREAS, certain fintech companies are charging consumers an Annual Percentage Rate of over 350%;

WHEREAS, since fintech companies are relatively new, they are generally not regulated by the state and federal government levels, and there is an ability for these industries to take advantage of the most vulnerable communities;

WHEREAS, fintech can automate the following areas of finance: insurance, investments, banking services, risk management and trading;

WHEREAS, vulnerable populations, including communities of color, struggling small businesses, and low-income individuals, can fall prey to predatory lenders and this new financial industry;

WHEREAS, there is a need to promulgate laws and regulations to prevent predatory lending by fintech companies; some fintech companies have given out loans with an APR as high as 225%; reasonable caps on interest rates should be established; and

WHEREAS, many organizations, including Americans for Financial Reform Education Fund, Center for Responsible Lending, Consumer Action, Consumer Federation of America, Consumer Reports, the Leadership Conference on Civil and Human Rights, NAACP, National Association of Consumer Advocates, National Community Reinvestment Coalition, National Consumer Law Center (on behalf of its low-income clients), Public Citizen, and U.S. PIRG, have called for interest rate caps by states.

BE IT THEREFORE RESOLVED, that the National Black Caucus of State Legislators (NBCSL) will work with its partners to urge support in ending predatory loans by fintech companies by establishing reasonable caps on interest rates (APR) for loans;

BE IT FURTHER RESOLVED, that the NBCSL urges states to enact legislation to license the fintech industry to promote transparency, consumer protection, and corporate standards as is similarly done for other financial industries within the state; and

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BE IT FINALLY RESOLVED, that a copy of this resolution be transmitted to the President of the United States, the Vice President of the United States, members of the United States House of Representatives and the United States Senate, and other federal and state government officials as appropriate.

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Sponsored by: Rep. James Sanders (NY)

Policy Committee: Business and Economic Development (BED)