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DEBT COLLECTION, CONSUMER FRAUD AND ZONING ORDINANCES PASSED BY CITY COUNCIL WILL ENSURE GREATER CONSUMER PROTECTIONS FOR CHICAGOANS

Three separate ordinances aim to protect consumers by ensuring fair debt collection, stricter local enforcement for violation of consumer protection acts and limiting the proliferation of predatory financial services.

The Chicago City Council today passed three ordinances introduced by Mayor Rahm Emanuel and the Department of Business Affairs and Consumer Protection (BACP), as part of the latest steps taken by the Administration to protect vulnerable citizens from financial scams and bad practices.

"These ordinances provide the City with a whole arsenal of options to protect consumers in Chicago. Not only would they help to effectively prosecute predatory financial service providers but it goes further with proactive measures to prevent the proliferation of this kind of fraud," said Mayor Emanuel.

The introduction of the debt collection agency category for regulated business licenses, the consumer fraud and the zoning restrictions for alternative financial services ordinances follows the announced agreement late last year between the City of Chicago and the Consumer Financial Protection Bureau (CFPB) to protect Chicagoans from financial scams and predatory financial services. The partnership allows direct data sharing to inform early on financial scam trends nationwide, preventative enforcement actions, and bolsters prosecutions for consumer protection efforts. Chicago is the first US city to sign an agreement with the CFPB. As part of the City's consumer protection initiative, the ordinances would provide the necessary tools to better protect vulnerable working families.

"I commend the Emanuel Administration for holding debt collectors responsible and requiring fair treatment of Chicago residents," said Jonathan Mintz, New York City

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Consumer Affairs Commissioner and Co-Chair of the national Cities for Financial Empowerment Coalition. "Complaints about abuse by debt collection agencies have been New York City's top consumer complaint for the past five years, and we have seen that licensing regulations combined with consumer mediation and targeted enforcement are necessary to protect consumers, many of whom are wrongfully harassed for debts they do not owe. As a member of the national Cities for Financial Empowerment Coalition, Chicago continues to pursue aggressive and far-reaching approaches to flexing its municipal powers and helping consumers in the financial services marketplace."

"High-cost, short-term credit like payday lending threatens family economic stability," said Tom Feltner, director of financial services at the Consumer Federation of America. "I applaud Mayor Emanuel for using the city's zoning powers to make a firm commitment to better financial products and services in Chicago communities."

The ordinances that passed City Council today include the following reforms that will protect Chicago consumers and crack down on bad businesses:

Zoning Restrictions for Pay Day, Titled-Secured Lenders and Pawn Shops: The overconcentration of alternative financial services such as pay day lenders and pawn shops have a deleterious impact on communities, including higher neighborhood bankruptcy rates, higher crime rates, and greater financial instability. In Chicago, these types of businesses tend to concentrate in the community areas with the largest proportion of low-income workers.

- To reduce the over-proliferation of alternative financial services in under-banked neighborhoods, this ordinance establishes new location restrictions for the placement of pay day lending, title-secured lending, and pawn shop storefronts.
- Under this ordinance, any new pay day or title-secured lending store must be at least 1,000 feet away from another pay day or title-secured lending store. Any new pawn shop must be at least 1,000 feet away from another pawn shop.

License Enforcement for Consumer Fraud and Illegal Labor Practices: Under this ordinance, the City will enhance BACP's ability to ensure that businesses convicted of violating state and federal consumer protection or labor laws such as wage theft will come into compliance with those laws, or risk City license denial or revocation. This is an additional and important tool for BACP to provide a strong incentive for a convicted business to come into full and timely compliance with the law, particularly where state or federal agencies fail to follow-up on these convictions.

- BACP will have the ability to initiate revocation proceedings, refuse to issue or reissue the license of specific business locations convicted within the last five years of violating the Illinois Wage Payment and Collection Act (IWPCA); the federal Fair Debt Collection Practices Act (FDCPA); or any similar federal or state law regulating the payment of wages or the collection of debt.

The ordinance will apply only to offenses that take place after June 1, 2013.

Licensing Debt Collection Agencies: In recent years, the numbers of debt collection scams and complaints have grown dramatically. After consulting with national consumer protection experts, federal and municipal consumer protection agencies, and industry representatives, the City will enact a new ordinance to license debt collectors who operate in the City of Chicago and ensure they abide by fair debt collection guidelines.

- This ordinance requires all debt collectors collecting debts from Chicagoans to get a Regulated Business License from the City.
- The license will require debt collection agencies to: Follow all state and federal guidelines in regards to fair debt collection practices, including prohibition of harassment or threatening behavior towards consumers ; limiting the hours and locations in which a debt collector may contact a consumer; using misleading or incorrect information in regards to a potential debt; and providing verification of the debt owed at the consumer's request.
- This will also provide consumers with clear and accurate information about what the alleged debt--ensuring no one is forced to pay a debt they do not owe. Verification of the debt must include: the name and address of the original creditor; the remaining balance owed and an itemized list of any additional fees, charges, or interests placed on the debt.
- The ordinance will also impose a 4-year wait for the issuance of another Regulated Business License if a debt collector's initial license is revoked.

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