

# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: April 28, 2020

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso *SMT*  
Chief Legislative Analyst

Council File No. 20-0002-S54  
Assignment No. 20-04-0452

SUBJECT: Resolution (Wesson - Martinez) to include in the City's 2019-2020 Federal Legislative Program SPONSORSHIP AND/OR SUPPORT for any legislation or administrative action that would suspend credit card interest, fees, and penalties for at least four months after the conclusion of the COVID-19 pandemic.

CLA RECOMMENDATION: Adopt Resolution (Wesson - Martinez) to include in the City's 2019-2020 Federal Legislative Program SPONSORSHIP AND/OR SUPPORT for any legislation or administrative action that would suspend credit card interest, fees, and penalties for at least four months after the conclusion of the COVID-19 pandemic.

## SUMMARY

Resolution (Wesson - Martinez), introduced on April 22, 2020, states that dramatic governmental action has been taken to slow the COVID-19 pandemic such as Governor Newsom's Stay-at-Home Order and the closure of non-essential businesses. These preventative measures, while necessary to maintain public health, have caused extreme financial hardship for countless businesses and residents. Many residents are unable to meet their regular monetary obligations, such as rent and credit card payments, which would normally cause one to incur onerous interest, fees, penalties, and credit score deductions.

The suspension of credit card interest, fees, and penalties would allow Los Angeles businesses and individuals to recover more quickly from the financial injury sure to result from the COVID-19 pandemic. The Resolution therefore recommends sponsorship and/or support for any legislation or administrative action that would suspend credit card interest, fees, and penalties for at least four months after the conclusion of the COVID-19 pandemic.

## BACKGROUND

The COVID-19 pandemic has forced unprecedented changes to life in Los Angeles. On March 19, 2020 Governor Gavin Newsom issued a Stay-at-Home Order related to the COVID-19 pandemic, which has been diagnosed in nearly 19,528 Los Angeles County residents as of April 27, 2020. The Governor's declaration limits Californians to only essential activities away from their home in order to minimize the congregation of large groups of people that may serve to spread the virus.

The Governor's Stay-at-Home Order has resulted in significant financial impacts for residents and businesses. Most businesses are closed and unable to perform commercial activity, leading to an immediate loss of revenue and the dismissal of employees. Previously employed residents are now out of work, and have limited access to funds for essential needs.

Newly unemployed residents will face difficulty acquiring funds to meet their financial obligations. The unemployment benefit system is facing a profound intake of new cases, with 26.5 million jobless claims in the first five weeks of the pandemic crisis, and is struggling to process needed benefits to those in need. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act, H.R. 748) will provide stimulus checks to residents of an amount up to \$1,200, but this one-time benefit will yield only minimal support during the crisis.

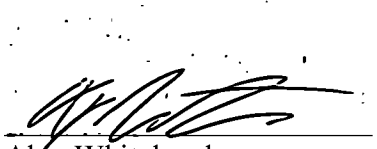
Credit card companies typically charge interest, fees, and penalties to account holders who are unable to pay their monthly bills. These fees are rendered regardless of the reason for a failed payment, and whether or not they are the fault of the individual. While these practices may be acceptable under normal circumstances, the COVID-19 pandemic has forced countless residents to sacrifice their economic well-being to protect public health and safety. To allow credit card companies to charge account holders for failed payments would be in direct opposition to the goals of the Governor's Stay-at-Home Order and other preventative measures.

On April 8, 2020, Senator Kamala Harris called for the suspension of credit card interest, fees, and penalties for at least four months after the conclusion of the COVID-19 pandemic. Senator Harris noted that "there must be moral and corporate responsibility to support consumers and prevent an economic catastrophe in the lives of American families".

Numerous credit card companies have offered relief relative to the COVID-19 pandemic. Bank of America is allowing individuals to make payment deferral requests online, and will not charge penalties on these requests. Wells Fargo has announced fee waivers and payments deferrals for customers who contact the company on a case-by-case basis. Ally, Capital One, Chase, BBVA USA, Citi, and other companies are also offering similar relief options for customers.

#### DEPARTMENTS NOTIFIED

Economic and Workforce Development Department



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Alex Whitehead  
Analyst

Attachments: Resolution (Wesson - Martinez)

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, State, or Federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, as of April 14, 2020, the COVID-19 pandemic has accounted for 10,047 identified cases and 360 deaths in Los Angeles County; and

WHEREAS, dramatic governmental action has been taken to slow the COVID-19 pandemic such as Governor Gavin Newsom's Stay-at-Home Order and the immediate closure of non-essential businesses; and

WHEREAS, these preventative measures have caused a severe loss of income and profoundly affected the economic well-being of countless American residents; and

WHEREAS, during this financial crisis, many residents are unable to meet their regular monetary obligations, such as credit card payments, and will incur onerous interest, fees, penalties, and credit score deductions that will further hinder their economic recovery from the COVID-19 pandemic; and

WHEREAS, on April 8, 2020 Senator Kamala Harris called for the suspension of credit card interest, fees, and penalties for at least four months after the conclusion of the COVID-19 pandemic noting that "there must be moral and corporate responsibility to support consumers and prevent an economic catastrophe in the lives of American families;" and

WHEREAS, the suspension of credit card interest, fees, and penalties would allow Los Angeles businesses and individuals to recover more quickly from the financial injury sure to result from the COVID-19 pandemic.

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 Federal Legislative Program SPONSORSHIP AND/OR SUPPORT for any legislation or administrative action that would suspend credit card interest, fees, and penalties for at least four months after the conclusion of the COVID-19 pandemic.

PRESENTED BY:   
HERB J. WESSON, JR.  
Councilmember, 10th District

SECONDED BY: 



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