



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

RESOLUTION NO. 130311

Introduced April 18, 2013

Councilmember Tasco

RESOLUTION

Urging the Pennsylvania General Assembly to oppose legislation that will legalize predatory small-dollar lending, commonly known as payday lending, in Pennsylvania and harm the citizens of our Commonwealth.

WHEREAS, In comparison to other towns and cities in Pennsylvania, Philadelphia faces the daunting challenge of a stressed revenue base and high concentrations of poor households in city neighborhoods; and

WHEREAS, Many of Philadelphia's low-income households live week to week, struggling to pay for the basic necessities of life and are forced to take out excessive and exorbitant payday loans to make ends meet; and

WHEREAS, Payday loans impose extraordinarily high finance charges for short-term loans, which are usually for amounts between \$300 to \$500, and the typical finance charge on a \$300 loan is \$45 for two weeks, which converts to an annual interest rate of over 300 percent; and

WHEREAS, The default risk for payday loans is low because the borrower must allow the lender to automatically withdraw money from their account when they deposit their paycheck or government benefits, and because of the high finance charges and short repayment term, most payday borrowers get caught in a cycle of repeat borrowing, taking out multiple loans each year and incur substantial finance charges that end up exceeding the total of the original sum borrowed; and

WHEREAS, Payday loans cause financial harm to borrowers, leading to overdrafts on bank accounts, defaults on other bills and even bankruptcy, and they also negatively impact the community and economy, draining nearly \$1 billion a year in economic activity and increasing usage of food assistance benefits and charitable relief services; and

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RESOLUTION NO. 130311 *continued*

WHEREAS, Under Pennsylvania's long-standing usury laws, predatory payday lending is illegal, the Pennsylvania Supreme Court has upheld enforcement actions by the PA Department of Banking against online payday lenders operating illegally, and Pennsylvania has saved its citizens approximately \$233 million annually by limiting the annual interest rates on small dollar loans to about 24%; and

WHEREAS, In Harrisburg, new legislation is being drafted to legalize predatory payday lending in Pennsylvania by using misleading language to describe payday lending as "micro credit" loans; and

WHEREAS, State legislation that authorizes predatory "micro credit" or small dollar loans is just another form of predatory payday loans and, just like bills from prior legislative sessions, will create a regulatory scheme for the operation of high-cost payday loans that are already illegal in Pennsylvania; and

WHEREAS, Out of state payday lenders claim that this new legislation will protect Pennsylvanians by regulating this industry; however, as noted by the U.S. Department of Defense when it conducted a comprehensive study of predatory lending targeted at members of the military, the best consumer protection for constituents is to keep our existing strong law in place which protects borrowers against predatory payday loans with a strict and reasonable cap on interest and fees; and

WHEREAS, Over 90 organizations from across Pennsylvania oppose the legalization of payday lending and these groups have formed a coalition entitled Stop Predatory Payday Loans in Pennsylvania and the coalition includes, but is not limited to, AARP Pennsylvania, Community Legal Services, Esperanza, Housing Alliance of Pennsylvania, Pennsylvania AFL-CIO, Pennsylvania Council of Churches, Pennsylvania NAACP, Pennsylvania PIRG, Public Citizens for Children and Youth, The Reinvestment Fund, United Way of Southeastern Pennsylvania, and Veterans Leadership Program of Western Pennsylvania; and

WHEREAS, Through Resolution Numbers 051208 and 120350, this legislative body has previously opposed the legalization of payday lending in Pennsylvania; now, therefore, be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That we hereby urge the Pennsylvania General Assembly to oppose legislation that will roll back our existing finance charge limitations on small dollar loans and will legalize payday lending in Pennsylvania and harm the citizens of our Commonwealth.

FURTHER RESOLVED, That the Chief Clerk send Engrossed copies of this resolution to the Majority and Minority leadership of the Pennsylvania General Assembly, the Philadelphia Delegation of the Pennsylvania General Assembly, and the Governor as a representation of the true wishes and sincere sentiments of this legislative body.