



City of Philadelphia

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

Legislation Text

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Urging the Pennsylvania General Assembly to oppose legislation that would weaken existing protections against predatory lending and harm the citizens of our Commonwealth by legalizing high-cost, small-dollar loans, commonly known as payday loans, at rates exceeding those currently allowed by Pennsylvania law.

WHEREAS, Pennsylvania already has one of the strongest laws in the country to guard against predatory payday lending; and

WHEREAS, Predatory lending practices including the making of small-dollar loans-often called "payday loans"-with excessive fees and interest, that are made without regard to the borrower's ability to repay the loan, but instead made based on the borrower's assets, such as a regular income stream and a bank account; and

WHEREAS, In states where predatory payday loans are legal, the average borrower is trapped in high-cost debt for nearly 200 days of the year, leading to financial harms like delinquencies on other bills, overdrafts on bank accounts, and even bankruptcy. According to a study on predatory lending conducted by the U.S. Department of Defense, "this debt trap is the rule, not the exception"; and

WHEREAS, Payday lenders prey on low-income borrowers, as confirmed by new study from the Federal Consumer Financial Protection Bureau (CFPB) that found that 68% of payday borrowers have income of \$30,000 or less and a significant share of borrowers -- nearly 1 in 4-- reported income from public assistance or other benefits or retirement income; and

WHEREAS, Predatory payday loans also negatively impact the community and the economy, draining nearly \$1 billion a year in economic activity. The clustering of payday loan storefronts creates the impression of a neighborhood in economic decline, leading local governments, in states where such high-cost loans are allowed, scrambling to mitigate their economic harm; and

WHEREAS, Philadelphia already faces the daunting challenge of a stressed revenue base and high concentrations of poor households in city neighborhoods, that would be further harmed by legalizing high-cost payday lending; and

WHEREAS, Payday loans undermined military readiness by causing harm to our nation's soldiers, and the U.S. Department of Defense recommended and President George W. Bush signed a federal law capping rates on payday loans made to military families at 36% annually, a protection similar to what Pennsylvania has in place for all families; and

WHEREAS, Pennsylvania's long-standing usury laws have been effectively enforced against payday lenders operating illegally both in storefronts and online, and have saved Pennsylvania residents approximately \$230 million annually in excessive fees and interest on small dollar loans; and

WHEREAS, Both in the 2011-2012 and the 2013-14 sessions of the Pennsylvania General Assembly,

the out of state payday lending industry has advocated for legislation to weaken existing protections against predatory payday lending by raising the finance charges on small dollar loans and allowing a lender direct access to a borrower's bank account, under the guise of consumer protection or providing "micro-credit" loans; and

WHEREAS, The best way to provide consumer protections for our 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, Nearly 100 organizations from across Pennsylvania oppose the legalization of high-cost 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 Southern New Jersey, and the Pennsylvania War Veterans Council, Inc.; 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 any legislation that would weaken existing consumer protections and harm the citizens of our Commonwealth by legalizing small-dollar loans, commonly known as payday loans, at rates exceeding those currently allowed by Pennsylvania law.

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.