

## 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, long-term payday loans.

WHEREAS, Pennsylvania currently has one of the strongest laws in the country to protect consumers from predatory payday loans, with a strict and reasonable cap on interest and fees that lenders may charge borrowers; and

WHEREAS, Predatory payday loans carry extraordinarily high fees and interest and are made based on the lender's ability to collect the loan through access to the borrower's bank account on payday, rather than the borrower's ability to repay the loan without experiencing further financial problems; and

WHEREAS, In states where they are legal, predatory payday loans have devastating effects on borrowers, leading to delinquencies on other bills, overdrafts on bank accounts, and bankruptcy, as well as negative impacts on communities, draining nearly \$1 billion a year in economic activity and increasing usage of food assistance and charitable relief services; and

WHEREAS, Predatory payday loans were so harmful to our nation's soldiers that the U.S. Department of Defense found that they impaired military readiness, and it recommended and President George W. Bush signed a federal law establishing a 36% annual rate cap, including both fees and interest, on loans made to active duty military members and their families, a protection similar to what Pennsylvania has in place for all families; and

WHEREAS, In the current session of the Pennsylvania General Assembly, legislation is being drafted that would eviscerate Pennsylvania's existing fee and interest rate cap on consumer loans and would legalize high-cost, long-term payday loans, under the rubric of the "Pennsylvania Financial Services Credit Ladder"; and

WHEREAS, A memorandum being circulated to solicit sponsors for the Financial Services Credit Ladder legislation cites forthcoming rules from the federal Consumer Financial Protection Bureau (CFPB) as a model for the legislation, but fails to mention that Pennsylvania's existing law is stronger than any rule the CFPB can propose because the CFPB does not have the authority to institute a rate cap on loans like we have in Pennsylvania; and

WHEREAS, The best way to protect Pennsylvania residents from abusive payday loans is to keep our existing, strong protections in place and continue to effectively enforce our state law; and

WHEREAS, Over 100 organizations from across Pennsylvania have been working together for the past four years in a coalition entitled Stop Predatory Payday Loans in Pennsylvania to oppose the legalization of high-cost payday lending, and the coalition includes AARP Pennsylvania, American Legion of Pennsylvania, Clarifi, Community Legal Services, Housing Alliance of Pennsylvania, Pennsylvania AFL-CIO, Pennsylvania Council of Churches, Pennsylvania PIRG, Philadelphia Unemployment Project, Public Citizens for Children and Youth, The Reinvestment Fund, and the Pennsylvania War Veterans Council, among others; and

WHEREAS, through Resolution Numbers 051208, 120350, and 130542, this legislative body has previously opposed the legalization of high-cost 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 legalize high-cost, long-term payday loans 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.