



Legislation Details (With Text)

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Enactment date: 6/11/2013 **Enactment #:** 407
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Title: THEREFORE BE IT RESOLVED that the Council of the City of Pittsburgh does not support the legalization of predatory payday lending practices in the Commonwealth of Pennsylvania; and

THEREFORE BE IT FURTHER RESOLVED that the Council of the City of Pittsburgh urges the Pennsylvania State Legislature to reject Senate Bill 975.

Sponsors: Natalia Rudiak, All Members

Indexes: PROCLAMATION - MS. RUDIAK

Code sections:

Attachments: 1. 2013-1607.doc

Date	Ver.	Action By	Action	Result
6/11/2013	1	City Council	Adopted	Pass

WHEREAS, the Senate of the Pennsylvania General Assembly is currently considering Senate Bill 975, which would enable widespread predatory payday loans to be made to residents of the Commonwealth; and

WHEREAS, SB 975 would weaken Pennsylvania's usury laws at the sole behest and for the sole benefit of out-of-state payday lending corporations; and

WHEREAS, SB 975 would enable payday lenders to levy finance charges in excess of 300% APR; and

WHEREAS, SB 975 does not require payday lenders to implement sensible underwriting standards to ensure that loan repayment is affordable for the borrower; and

WHEREAS, SB 975 would enable lenders to require a one-time balloon repayment of all principal, finance charges, and fees associated with the loan upon the borrower receiving his or her next paycheck; and

WHEREAS, for a borrower who is paid every two weeks, SB 975 would enable payday lenders, by statute, to levy repayment terms against the borrower's next paycheck of an amount in excess of 50%; and

WHEREAS, a loan repayment that consumes 50% of each paycheck before the consumer has paid rent or mortgage, utilities, and other basic living expenses, is by definition unaffordable; and

WHEREAS, the required single balloon payment is designed to encourage borrowers to immediately take

another two-week loan to cover basic living expenses, encouraging a cycle of re-borrowing; and

WHEREAS, a 2011 report produced for the State of Florida by Veritec Data Solutions, a database vendor providing statistics on payday lending, shows that customers receive an average of nine payday loans per year, typically in consecutive succession, and that 77% of all payday loans are made to borrowers who took out more than nine loans per year; and

WHEREAS, in an effort to quell criticism of long-term consecutive loans, SB 975 contains requirements to cap the number of transactions to an individual borrower at eight consecutive loans but also includes definitions and loopholes rendering the requirements ineffective and therefore meaningless; and

WHEREAS, SB 975 would enable the use of a post-dated check or debit authorization as security for the loan and a means of repayment, but these forms of security may increase involuntary bank fees for overdrafts, as well as insufficient fund fees charged by the payday lender; and

WHEREAS, the 2011 annual report of Advance America, a payday lender, shows that the company collected over \$3 million in insufficient fund fees and late fees from its own loan customers; and

WHEREAS, SB 975 claims to protect veterans and military reservists from abusive lending with disclosures, but without including restrictions on the collateralization of VA pensions or the civilian paychecks of service members; and

WHEREAS, the “reforms” in SB 975 do not address the core predatory elements of payday lending: these include triple-digit interest rates, short-term balloon repayments, failure to consider the borrower's capacity to repay the loan, and holding a borrower's post-dated check or debit authorization as security.

THEREFORE BE IT RESOLVED that the Council of the City of Pittsburgh does not support the legalization of predatory payday lending practices in the Commonwealth of Pennsylvania; and

THEREFORE BE IT FURTHER RESOLVED that the Council of the City of Pittsburgh urges the Pennsylvania State Legislature to reject Senate Bill 975.