



Legislation Details (With Text)

File #: 2012-0430 **Version:** 1
Type: Will of Council **Status:** Adopted
File created: 5/22/2012 **In control:** City Council
On agenda: **Final action:** 5/22/2012
Enactment date: 5/22/2012 **Enactment #:** 329
Effective date:

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

BE IT FURTHER RESOLVED that the Council of the City of Pittsburgh urges the Pennsylvania State Legislature to reject HB 2191.

Sponsors: Natalia Rudiak, All Members
Indexes: PROCLAMATION - MS. RUDIAK

Code sections:

Attachments: 1. 2012-0430.doc

| Date | Ver. | Action By | Action | Result |
|-----------|------|--------------|---------|--------|
| 5/22/2012 | 1 | City Council | Adopted | Pass |

WHEREAS, the Pennsylvania House of Representatives is currently considering HB 2191, which would legalize predatory payday loans, going against historic Pennsylvania lending laws; and

WHEREAS, HB 2191 legalizes triple-digit interest rates of 400% and higher for payday lenders; and

WHEREAS, HB 2191 would allow lenders to require full repayment of a loan after “at least one installment of income of the customer,” or their next paycheck; and

WHEREAS, HB 2191 would enable payday lenders to require one-time balloon payments of the full loan amount, plus interest and fees; and

WHEREAS, HB 2191 would legalize the use of post-dated check or debit authorization as security for the loan and a means of repayment; and

WHEREAS, required one-time balloon payments trap borrowers in debt, making it impossible to repay the loan and also pay regularly occurring expenses, such as rent, food and utilities, causing a cycle of re-borrowing; and

WHEREAS, industry data shows that a typical borrower is stuck in 9 payday loans per year, typically taken out one right after the other; and

WHEREAS, a 2009 study by the Center for Responsible Banking found that over 76% of payday lenders' revenue is generated by loans to borrowers who take out a new loan within two weeks of paying off their last payday loan; and

WHEREAS, post-dated checks and debit authorizations may increase involuntary bank fees for overdrafts and 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, Harvard Business School researchers found that payday lending can increase the odds that households will repeatedly overdraft and ultimately have their banks close their checking accounts; and

WHEREAS, the typical payday borrower is indebted to a payday lender for more than 200 days in a year and only 2% of loans go to borrowers who take one loan, repay it, and don't come back within the year; and

WHEREAS, “reforms” proposed in 2191 such as limiting loan amounts, the number of loan renewals, limits on outstanding loans, and providing extended loan repayment plans have been implemented in many other states, and have not decreased rates of re-borrowing or indebtedness; and

WHEREAS, the “reforms” in this bill do not address the core predatory elements of payday lending, like triple-digit interest rates, short loan terms, balloon payments, and holding a borrower's post-dated check or debit authorization as security.

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

BE IT FURTHER RESOLVED that the Council of the City of Pittsburgh urges the Pennsylvania State Legislature to reject HB 2191.