



# City of Pittsburgh

510 City-County Building  
414 Grant Street  
Pittsburgh, PA 15219

## Text File

**Introduced:** 5/22/2012

**Bill No:** 2012-0430, **Version:** 1

**Committee:** City Council

**Status:** Adopted

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**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

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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.