



# City of Pittsburgh

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

## Text File

**Introduced:** 6/11/2013

**Bill No:** 2013-1607, **Version:** 1

**Committee:** City Council

**Status:** Adopted

**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

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**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.