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Evangelical Lutheran Church in America
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October 17, 2016

Pennsylvania State Senate
Capitol Building
Harrisburg, PA 17120

Re: Opposition to High-Cost Loans, SB 1379 Financial Services Credit Ladder Legislation

Dear Senator:

Over the past several years, the issue of payday lending and high-cost lending has arisen in these chambers. Payday lenders have lobbied for a change in the state's existing laws.

This session, the payday lenders are seeking to legalize a long-term payday loan product, which they are calling the Financial Services Credit Ladder. Proponents of the legislation claim that it is a consumer protection bill, modeled after proposed national rules on payday lending by the Consumer Financial Protection Bureau (CFPB). But, the CFPB, unlike Pennsylvania, cannot cap the rates on consumer loans, which is the best way to protect borrowers from predatory practices.

SB 1379 would compromise our existing interest rate cap on consumer loans by allowing fees and charges that could run the effective interest rate up to triple digits. We won't even know exactly how high the charges can go until after the bill is passed and the Department of Banking sets the fee schedule. But we know that payday lenders who offer these long-term loans in states where they are legal charge annual interest rates over 200%!

As leaders within the faith community, we remain united in our opposition to predatory payday lending and believe that our state's current laws fairly protect borrowers and our economy from harmful financial practices.

Payday lending -- including both the traditional two-week loan and the longer term loan that would be authorized by SB 1379-- is modern-day usury. Whether they are called "credit ladders," payday loans, or any other name, high-cost, predatory loans exploit people facing financial emergency, enriching the lender while failing to offer a sustainable solution to the person in need. All major religious traditions share a deep opposition to usury. For example, the Christian and Jewish scriptures counsel specific care when lending to those who are poor. "Do not rob the poor because they are poor," Proverbs 22:22

Beyond the moral case, the devastating impact that legalizing predatory payday loans will have on the communities and congregants we serve is abundantly clear. In communities with payday loan storefronts, churches and social services report strains on local food pantries and charitable emergency relief services. Rather than offering a bridge

to financial security, payday loans actually make financial problems worse, leading to increased food stamp usage, delinquency on other bills and obligations, and eventually bankruptcy.

High-cost payday lending is far from a financial solution for households but rather the cause of greater financial problems.

We need to be providing pathways out of poverty and dependency for our most vulnerable families, not sinking them further into debt. Today, Pennsylvania's laws are considered among the strongest in the country to protect against this type of abusive lending, even if it occurs online. We ask that Pennsylvania legislators remain steadfast in upholding, not weakening, our current laws in order to keep our communities free from predatory lending practices.

We urge you to oppose SB 1379, the Financial Services Credit Ladder legislation.

Sincerely,

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