

Oppose SB 975: “Micro-Loan” Bill is a Trojan Horse

SB 975 Weakens Pennsylvania’s Strong Laws Against Predatory Payday Lending

Both the U.S. Department of Defense and the Pew Charitable Trusts have recognized our consumer protection laws as some of the strongest in the country.

The Department of Defense stated that Pennsylvania is among the states that “continue to maintain strong usury laws and to aggressively enforce those laws, thereby limiting the impact of predatory lending on their citizens.”

SB 975 unravels these laws and opens the doors to the payday loan debt trap. Out-of-state payday lenders continue to push legislative proposals that weaken the Commonwealth’s laws so they can offer their dangerous loan products in our state and bring 1,000 payday loan storefronts to our neighborhoods.

A large coalition of Pennsylvanians are opposed to weakening Pennsylvania’s current small loan laws in favor of predatory payday lending such as that proposed in SB 975. It puts the financial well-being of veterans, seniors, and hard-working Pennsylvanians at risk.

SB 975 Has All The Hallmarks of Predatory Lending

SB 975 claims to provide a suite of products designed to give consumers better choices, when in fact it does the exact opposite.

Despite the various names of products and tiers proposed in SB 975, they all carry features that are hallmarks of predatory loans —triple-digit APRs, requiring direct access to a borrower’s bank account as a condition of the loan, payments tied to a borrower’s payday, and no assessment of a borrowers’ ability to repay without re-borrowing.

The payday lenders claim that some options within SB 975 give borrowers more time to repay the loan and allow installment repayments. But simply extending the loan term is not enough to combat the threat of the other predatory features allowed in the bill.

In all these ways, SB 975 codifies a debt trap product into Pennsylvania law. In states where these loans are legal, borrowers are trapped high-cost, long-term debt, leading to a cascade of financial harms, including falling behind on other bills and filing bankruptcy.

Pennsylvanians Oppose Predatory Payday Lending

SB 975 wipes out the state’s existing, strong consumer protection laws and replaces them with permission to charge a 300% APR for a typical payday loan. Loans made in violation of Pennsylvania’s laws are void and unenforceable, even when made on-line. It is the current structure of the state’s laws which keep the country’s largest payday lenders from making loans here, and ensure that there are not payday loan shops flooding our neighborhoods.

As such, military veterans, seniors, women’s groups, faith leaders, credit counselors, affordable housing providers, asset-building organizations and others throughout the state of Pennsylvania are working tirelessly to prevent the state from opening its borders to predatory lenders.

Keep the Trojan Horse out. Pennsylvania doesn’t need to open its doors to these predatory payday loans, no matter what name they’re given.