VOTE NO ON HB 2429
HB 2429 AUTHORIZES PREDATORY PAYDAY LENDING IN PENNSYLVANIA

Pennsylvania has one of the strongest laws in the country to guard against predatory lending, with a cap on fees and interest that has kept high-cost payday lenders at bay. Our law saves residents more than $272 million each year in fees that would otherwise be drained if payday lenders were allowed to operate here.

HB 2429, "An act regulating credit services," would jeopardize those savings by opening the door to predatory payday lenders in Pennsylvania. If passed, the bill would allow payday lenders to evade the state's strong interest rate cap by posing as loan brokers in order to charge unlimited fees and make triple-digit interest rate loans.

Payday Lenders' Credit Services Organizations ("CSO") Scheme

Under the scheme allowed by HB 2429, known as the "CSO scheme," payday lenders pose as brokers under state credit repair or credit services laws. HB 2429 explicitly would create a loophole in our state lending law by providing that the broker fee is not considered interest. Payday lenders exploit similar loopholes in several other states and become credit services organizations (CSOs) for the sole purpose of evading interest rate caps that would otherwise prevent debt trap loans.

In this CSO scheme, lenders charge the maximum interest rate allowed on the loan plus an additional "broker" fee, often ranging from $15 to $25 per $100, resulting in loans with an effective annual percentage rate (APR) over 300%.

Here are examples of debt trap loans by the payday lender Check 'n Go using the CSO scheme in Texas:

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate (Assumes a 14-day term)	FINANCE CHARGE The dollar amount the credit will cost you	AMOUNT FINANCED The amount we pay to you or on your behalf	TOTAL OF PAYMENTS The amount you will have paid after you have made all payments as scheduled	NUMBER OF PAYMENTS
661.69%	**$25.38**	$100.00	$125.38	1
661.69%	**$38.07**	$150.00	$188.07	1
661.69%	**$50.76**	$200.00	$250.76	1

Components of the Finance Charge	
CAB Fee paid to Check 'n Go (25% of Amount Financed)	Interest paid to unaffiliated lender
$25.00	$0.38
$37.50	$0.57
$50.00	$0.76

Payday loans made through the CSO Scheme Create Debt Traps

Payday lenders employ this scheme in states like Ohio and Texas, so we don't have to guess how terrible these loans will be. We already know: a debt trap. In both Ohio and Texas, more than 80% of payday loans are taken out within two weeks of a previous loan being repaid. Borrowers become caught in high-cost, long-term debt, leading to a cascade of financial harms including defaults on other bills, overdrafts and the loss of bank accounts, and bankruptcy.

For the individual, whether the payday lender makes the loan directly or uses a CSO brokering model to evade existing protections, the result is the same: loans with triple-digit interest rates secured by the lender's direct access to the borrower's bank account that results in a long-term debt trap. HB 2429 puts no limit on the amount or length of the loan or the fees that payday lenders, acting as "CSO" brokers, may charge.

Pennsylvanians oppose weakening our predatory lending laws

Over the past six years that payday lenders have tried to weaken our state law, they repeatedly try to put a new wrapper on their same destructive legislative package. HB 2429 is yet another sneak attack to make high-cost loans in Pennsylvania, in circumvention of our rate cap. The bill seeks to legalize a scheme which payday lenders have a long history of using in other states to make loans at sky-high interest rates, reaching well over what's permitted under Pennsylvania state law. **Please stand with military veterans, seniors, women's organizations, faith leaders, housing advocates, and others to keep our existing consumer protections in place: oppose HB 2429.**

For more information, visit www.stoppaydayloanspa.com.

5.31.18