

OPPOSE HB 2191, AS AMENDED: KEEP PREDATORY LENDERS OUT OF PENNSYLVANIA

Payday loans are an abusive form of lending that traps financially vulnerable borrowers into a long-term cycle of debt. These loans are cash advances with extraordinarily high fees and interest. **Under HB 2191, as amended, the typical \$300 two-week loan carries \$42.50 in fees, resulting in a 369% annual percentage rate (APR).**

A Debt Trap by Design

While payday lenders market these loans as a quick financial fix, these loans actually create a long-term debt trap. In fact, the loan product itself is structured to create repetitive borrowing. As result of the payday loan structure, most borrowers are unable to pay it back and still have enough money to pay for their other regular expenses. Borrowers then have to take out another payday loan shortly after just to make ends meet. **This is the debt trap cycle, and HB 2191 will make it legal, leaving no recourse to stop it.**

Businesses Depend on Debt Trap

In the words of the CEO of Cash America International, one of the out-of-state companies pushing HB 2191, the debt trap is the core of the business model: *"The theory in the business is you've got to get that customer in, work to turn him into a repetitive customer long-term customer, because that's really where the profitability is."* According to a comprehensive report on payday lending conducted by the U.S. Department of Defense, *"The debt trap is the rule not the exception."*

The Solution: Oppose HB 2191

Fortunately, payday lending at triple-digit interest rates has long been illegal under Pennsylvania law. Unlicensed, small-loan lenders are limited to charging only 6% interest annually and lenders licensed by the Banking Department may charge higher rates of about 24% APR. HB 2191 provides an exclusive carve out for predatory payday lenders to charge rates of 300% APR and higher.

HB 2191 will simply roll back Pennsylvania's existing consumer protections, which have been successfully enforced for years against the same companies that are now lobbying for this bill.

QUICK FACTS

- HB 2191, as amended, legalizes **369% APR** for a typical payday loan.
- Pennsylvania saves families **\$233 million annually** in excessive interest thanks to its usury limit of about 24%
- Industry data shows that **76% of payday revenue** is due to borrowers stuck in the debt trap

PREDATORY LOANS ALREADY ILLEGAL

The Pennsylvania Supreme Court has upheld enforcement actions taken by the Banking Department to shut down illegal payday lending storefronts, as well as those operating via the Internet.

In its 2010 opinion against Cash America International's illegal online payday loans to Pennsylvania borrowers with APRs ranging from 250% to over 600% APR, the Court noted:

"[i]t is well established that public policy in this Commonwealth prohibits usurious lending, and this prohibition has been recognized for over 100 years."