



PENNSYLVANIA WAR VETERANS COUNCIL, INC.



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Pennsylvania State Senate
Capitol Building
Harrisburg, PA 17120

Re: Pennsylvania War Veterans Council Opposes SB 1379, "Financial Services Credit Ladder" Bill

Dear Senator:

The Pennsylvania War Veterans Council (PWVC) urges you to oppose SB 1379, which would authorize a long-term, predatory payday loan in Pennsylvania, putting our veterans at risk.

The council is a strong voice for the nearly 900,000 veterans in Pennsylvania through a broad-cross section of state veteran organizations, including The American Legion, Veterans of Foreign Wars, Military Officers Association of America, American Veterans (AMVETS), Blinded Veterans Association, Catholic War Veterans, Disabled American Veterans, Jewish War Veterans, Keystone Paralyzed Veterans of America, Marine Corps League, Military Order of the Grand Cooties of Pennsylvania, Military Order of the Purple Heart, Navy Club USA, PA County Directors of Veteran Affairs, and Vietnam Veterans of America, Inc.

We are opposed to any legislation that would increase the interest rates and fees on small-dollar loans and authorize predatory payday lending. Our position is informed by a comprehensive study of predatory lending conducted by the United States Department of Defense (DoD) and our experience working with vulnerable veterans in Pennsylvania.

In its study, DoD found that payday loans are predatory and create a "debt trap" and it concluded that "predatory lending undermines military readiness, harms the morale of troops and their families, and adds to the cost of fielding an all-volunteer force."

DoD specifically recognized Pennsylvania as having one of the strongest laws in the country to guard against payday lending, and it called on Congress to pass similar protections for active duty military nationwide. President George Bush signed the Military Lending Act (MLA) into law, which established a 36% cap—including BOTH fees and interest-- for covered loans made to active duty military and their families. DoD initially applied the MLA rate cap to loans of 90 days or less, targeting traditional payday loans.

In an attempt to avoid the regulations, payday lenders started offering longer term installment loans. In response, DoD modified its rules to apply the rate cap to long-term payday loans, finding that they caused the same harm to active duty military and military readiness.

The Military Lending Act (MLA) only applies to active duty military including those serving in the state. Pennsylvania's nearly 900,000 veterans are guarded by the state's current strong law against payday lending. Now, with the introduction of SB1379, the payday lenders are trying to legalize a destructive product in Pennsylvania, exposing our vulnerable veterans to harm.

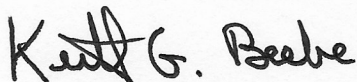
SB 1379 would eliminate Pennsylvania's existing cap on fees and interest for consumer loans that has effectively kept payday lenders out of our borders. The legislation hides the cost of the loans that it would legalize. It authorizes 36% interest, but payday lenders also will be able to charge other fees that could push the effective interest rate into the triple-digits. We will not even know the exact cost of the loans until after the bill has passed when the Commonwealth's Department of Banking and Securities sets a fee schedule.

Based on what the payday lenders offer in states where these loans are legal, the total cost will be astronomical. In California, payday lenders offer a product like what would be authorized by SB 1379: it carries an effect interest rate, with fees, of 218%. For a \$3,000 loan, a borrower pays back nearly \$7,655 over the course of one year to get out of debt. That is a loan product that causes, rather than relieves, financial distress.

A safe loan product will cap both fees and interest. With no maximum cap on fees, the "Financial Services Credit Ladder" bill must be opposed because it would legalize an unsafe loan, putting our veterans at risk.

We ask that you work with us to ensure our state consumer protections remain strong. We must ensure that veterans have financial security after service to our country. Legalizing long-term, predatory payday loans will undermine our work and cause veterans financial harm.

We ask that you stand with our veterans and oppose SB 1379.



Keith G. Beebe
LTC USA (RET)
Chairman, Legislative Committee
Pennsylvania War Veterans Council