



Pennsylvania Council of Chapters

Military Officers Association of America

www.pa-coc.org



Stand With Our Military Veterans: Oppose Predatory Payday Lending

Military veterans' organizations from across the state are speaking out against attempts by the out-of-state payday loan industry to weaken our existing state protections against predatory payday lending:

- **Pennsylvania's War Veterans Council**, representing almost one million veterans, voted unanimously on March 7, 2013, to oppose any legislation in favor of payday lending;
- **The American Legion, Department of Pennsylvania** Executive Committee, on April 5-7, 2013, went on record to not support any legislation legalizing payday loans at rates higher than the APR (annual percentage rate) safeguards currently in place and governed by the Commonwealth of Pennsylvania; and
- Other veterans' organizations, including the **Navy Marine Corps Relief Society** and the **Veterans Leadership Program of Western Pennsylvania**, have joined a diverse coalition of nearly 100 organizations from across the state to keep our strong protections against predatory lending in place.

Military veterans understand the harms caused by payday lending. The U.S. Department of Defense, in 2006, thoroughly studied the effect of these kinds of predatory loans, concluding that "predatory lending undermines military readiness, harms the morale of troops and their families, and adds to the cost of fielding an all-volunteer fighting force ... Indeed, the [payday loan] industry relies on revenue from borrowers caught in a debt trap caused by repaying the original high interest loan in a short period then not having another source of money to pay remaining obligations without returning for another loan. Ninety-one percent of payday loans go to borrowers with five or more loan transactions per year. This debt trap is the rule, not the exception."

Further, the DoD noted that provisions attempting to add consumer protections do not stop the debt trap in states which allow payday loans "costing over 300 percent APR." As part of its study, it examined measures like databases, cooling off periods, rollover bans, and attempts to stop borrowing from multiple lenders. The DoD concluded that "even with the addition of these 'consumer bells and whistles,' these laws do not stop the debt trap."

As a result, and with broad support from the military community, President George Bush signed into law a rate cap of 36% annually, including interest and fees, and a minimum loan term of 90 days for payday loans made to active duty military members and their family. The law also prohibits gaining access to an active duty member's bank account as a condition of the loan.

This federal protection does not include the nearly one million veterans in our state, many of whom are elderly living on fixed incomes, nor does it protect our National Guard and Reserve forces, or their families, a very troubling scenario. Fortunately, they are protected by Pennsylvania's existing usury caps for small loans, which the DoD recognized as among the strongest and most effectively enforced in the country.

We urge our legislators to stand with Pennsylvania's military veterans and oppose any effort to weaken our existing state protections against predatory payday lending.

For further information please contact LTC Bob Gray, U.S. Army-Ret., at 717-623-8715; rl_gray@hotmail.com

One powerful voice

The Pennsylvania Council of Chapters, representing more than 12,000 officers throughout the Commonwealth, lobbies the state legislature on issues affecting the career force, the retired community and veterans of the uniformed services. As a non profit veterans organization it advocates issues but does not support any political party or the election or defeat of any political candidate. The Council's mission is to promote MOAA's purposes and objectives; to foster fraternal relations among retired, active, National Guard/reserve and former officers of the uniformed services; to protect the rights and interests of personnel of the uniformed services and their dependents and survivors; to provide useful services for its chapters, members and their dependents and survivors, and to serve our communities, the Commonwealth and our nation.