

## Philadelphia's Consumer Advocate Asks State Banking Secretary to Force "Pay Day" Lenders to Lower Interest Rates or Shut Them Down; Pay Day Lenders Charging Consumers APRs of 1,825% Versus the Legal Limit of 24% APR

**PHILADELPHIA** — Lance Haver, director of the Mayor's Office of Consumer Affairs and Councilwoman Marion Tasco today announced they have sent a letter to the Commonwealth's Secretary of Banking, A William Schenck III, requesting he force the so called "payday" lenders to abide by the laws of Pennsylvania and either lower their interest rates from the outrageous 1,825% (APR) they are currently charging to the legal limit of 24% (APR) or close their doors.

In a letter that called for immediate review of a pay lender known as 'Cash Today', Haver and Tasco stated, "It is the Office of the Secretary of Banking that has the power to examine the activities of such businesses, prosecute those that are operating illegally and protect consumers from these outrageous interest rates . . . We are urging you to use the power of your office to protect consumers from these loan sharking interest rates. Charging over 1,800% is unconscionable."

Cash Today's advertisement offers payday loans at an annual percentage rates (APR) raging from a low 349.59 % to a high of 1825% based on the length of the loan. (There is a discount for senior citizens borrowing against their Social Security checks). Haver and Tasco note that the laws regulating small loans set the legal limit at 24% APR and Cash Today is blatantly violating state laws.

"Most of the people being taken advantage of would qualify for much lower cost loans from their banks and credit unions, if they knew about them," said Haver who pointed out the government is supposed to protect people from such horrendous practices. "If the Secretary of Banking is unwilling to force these businesses to follow the law, we will ask the City's Department of Licensing and Inspection to pull their Business Privilege License and put them out of business."

The letter sent to the Secretary of Banking is attached.

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A. William Schenck III  
333 Market St  
16th Floor  
Harrisburg, PA 17101

Dear Secretary Schenck

The Mayor's Office of Consumer Affairs is requesting that you order "Cash Today" the fictitious name of Frascella Enterprises and sharing a location

with the licensed check cashing company, Broad and Vine Check Cashing, Inc at 1418 Race St, Philadelphia, to abide by the laws of the Commonwealth and:

Either lower its current interest rates from the outrageous 1,825% (APR) to the legal limit of 24% (APR); and

Apply for and receive the legally required licenses to become either a consumer discount company; or

In the alternative close down the illegally operating payday lenders.

We base these requests on the following information.

“Cash Today” advertises and charges interest rates from 197.30% APR (this is what they call their Senior Citizen rate) to 1,825% APR. This rate is far in excess of the legal limit of 24% as mandated in Section 6217.1 of the Consumer Discount Act which states that a company may charge “*a rate not in excess of two percent (2%) per month*” or 24% APR.

“Cash Today” is operating without a consumer discount license which is required by law as specifically stated in section 6203 B of the Consumer Discount Act:

*“Any person who shall hold himself out as willing or able to arrange for or negotiate such loans of fifteen thousand dollars (\$15,000) or less where the interest, discount, bonus fees, fines, commissions or other consideration in the aggregate exceeds the interest that the lender would otherwise be permitted by law to charge or who solicits prospective borrowers of such loans of fifteen thousand dollars (\$15,000) or less shall be deemed to be engaged in the business contemplated by this act. . .”*

“Cash Today” cannot claim that they are operating under the protection of a loan broker’s license as out lined in the Credit Services Act (Section 2182 under “Loan Broker” and Section 2188 (a),

because, according to the Commonwealth’s web page, they do not have such a license at all of their locations; because the act regulates credit service agencies, not check cashers or pay day lenders;

*And they do not fulfill the requirements of the Act’s section 2185 which requires agents under the “Credit Services Act” to provide a five (5) day right to rescind the contract stated in section (c) “Notice of cancellation.—the contract shall be accompanied by a completed form in duplicate, captioned “Note of Cancellation”, which shall be attached to the contract and easily detachable and which shall contain, in at least 10-*

*point type, the following statement written in the same language as used in the contract:*

*Notice of Cancellation*

*You may cancel this contract without any penalty or obligation within five days from the date the contract is signed.”*

“Cash Today” is violating the regulations of the check cashing license that it currently holds. Section 2325 (a) of the Check Casher Licensing Act expressly prohibits check cashers from advancing money in the way that “pay day lenders” operate. It states:

*“No licensee shall at any time cash or advance any money on a postdated check.”*

According to the acts mentioned above, it is the office of the Secretary of Banking that has the power to examine the activities of such businesses, prosecute those that are operating illegally and protect consumers from these outrageous interest rates. Specifically Section 6211 of the Consumer Discount Code states:

“The Secretary of Banking, and any person designated by him for that purpose, shall at least annually investigate the business and affairs and examine the books, accounts, papers, records, document and files therein of every licensee and of every person who shall be engaged in business contemplated by this act, whether such person shall act or claim to act as principal, agent or broker, or under or without the authority of this act . . . A person, who is not licensed under this act, shall be presumed to be engaged in business contemplated by this act if he advertises or solicits business as principal, agent or broker for which a license is required by the provisions of this act, and the Secretary of Banking, and any person designated by him for that purpose, is in such cases authorized to examine the books, accounts, papers, records, documents, files, safes and vaults of such persons for the purpose of discovering violations of this act.”

And under the Check Casher Licensing Act, Section 2304 your office has the right to examine their books, conduct hearings and issue subpoenas to investigate if Cash Today is operating illegally.

We are urging you to use the power of your office to protect consumers from these loan sharking interest rates. Charging over 1800% is unconscionable.

Sincerely Yours,  
Lance Haver  
Councilwoman Marion Tasco  
Director, Mayor's Office of Consumer Affairs