Maryland is recognized as a member of "PaydayFreelandia," one of 15 states and the District of Columbia that prohibit high-cost, small dollar lending that targets low-income consumers and people of color. In Paydayfreelandia, consumers save an average of $5 billion annually in fees that would otherwise go to out-of-state predatory lenders.[i] Marylanders alone save nearly $253 million, money that can be used to build emergency savings and bank accounts rather than paying to keep them in an endless cycle of debt.

Paydayfreelandiers are proud to live in states that prohibit predatory lending. This past summer, hundreds of Marylanders sent comments to the Consumer Financial Protection Bureau, urging them to ensure that the proposed Payday Lending Rules would not provide a back door for payday day lenders and their ilk to sneak into the state. Their call was echoed by elected representatives, religious leaders, consumer advocacy groups, community agencies, and civil rights groups across the state.

But as it turns out, payday lenders don't need a back door to come into Maryland. They snuck in the front door, exploiting statutory loophole that allows them to charge vulnerable Maryland consumers up to 300%, over 10 times the usury limits for all consumer loans in Maryland. The loans carry all the same trapping of payday loans, and are also much larger and last for many months, during which time lenders can seize money directly out of their bank account.

These dangerous longer-term payday loans that these out-of-state payday lenders are offering is nothing new. In fact, payday lenders have spent the last year attempting to get other states to authorize longer-term payday loans. Payday lenders pushed legislative proposals – Alabama, Arizona, Iowa, Indiana, Kentucky, Louisiana, Mississippi, Oklahoma, and South Dakota. Payday lenders' legislative proposals to make these longer-term payday loans either incorporated high monthly interest or uncapped additional charges, and were structured as either open-end or closed-end, but uniformly resulted in triple-digit APRs, secured by borrowers' bank accounts, and were structured to be nearly impossible to pay.

Of these states, none of which share Maryland's long history of consumer protection, only Mississippi legislators authorized the product as an additional predator loan along side the 500% APR payday loans already saturating the state, and they did despite opposition from faith leaders, consumer advocates, and civil rights groups.[ii] In Mississippi, payday lenders outnumber McDonald's, and predatory lenders drain nearly $530 million in fees. Mississippi is an outlier when it comes to this type of loan product. Mississippi followed Tennessee in its authorization of this type of dangerous product.[iii]

Thirty other states have protections against the cost of these longer-term payday loans.[iv]

- Seven states do not authorize non-bank lenders to make open-end loans.
    - Those states are: Alaska, Connecticut, New Jersey, New York, North Carolina, Oregon, and Pennsylvania
- Fourteen states limit costs, including fees.

  - Those states are: Alaska, Arizona, Connecticut, Florida, Louisiana, Minnesota, Nebraska, Nevada, New Jersey, New York, North Carolina, Oregon, Pennsylvania, and Texas
- Twenty-one states and the District of Columbia protect against high-cost payday loans structured as closed-end loans.
  - Those states are: Alaska, Arkansas, Colorado, Connecticut, DC, Hawaii, Iowa, Maine, Maryland, Massachusetts, Montana, New Hampshire, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia, Washington, West Virginia, Wyoming

By closing this loophole in it's usury law, Maryland will appropriately continue to be a leader in its legacy of protecting against payday lenders' abusive loans. For Marylanders, the choice is clear. They want their legislature to continue to work hard – as they always have – to keep the payday predators out of their state.

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[i] "States without Payday and Car-title Lending Save Over $5 Billion in Fees Annually," Center for Responsible Lending, http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_payday_fee_savings_jun2016.pdf

[ii] For example, "Bishops oppose expansion of payday lending, " May 2016, http://jacksondiocese.org/2016/05/bishops-oppose-expansion-of-payday-lending/

[iii] "Lawmakers Took Payday Lenders' Money, Asked Few Questions," Nashville News Channel 5, February, 2016

[iv] National Consumer Law Center, "Installment Loans: Will States Protect Borrowers from a New Wave of Predatory Lending?", July 2015