Will Maryland Open Our State to Predatory, Payday Lenders?

Not if the General Assembly passed SB 527/HB 1270.

Today, out-of-state payday lenders are exploiting a loophole in Maryland's law and providing open-line of credit loans at 300-400% interest rates for financially fragile Marylanders.

For more than three decades, Maryland legislators have affirmed that 33% is the most lenders should charge for short-term, consumer loans.

Yet, payday lenders have tried five times since 2000 to skirt our strong 33% rate cap by exploiting loopholes to trap cash-strapped Marylanders in high-cost, debt-trap loans.

Recently, CashNet/ENOVA, the same company that exploited a Maryland loophole in 2010 (a loophole which the General Assembly closed) found another way to get around our decades long 33% rate cap.

Predatory Lending Rates

Payday lenders are offering these payday-type loans as open-end lines of credit. While the loans carry 24% APR, high fees put the annual rates on these predatory loans above 300%, more than 10 times the highest rate permitted for Maryland's other consumer loans. In addition to packing excessive fees into the loan cost, the lender can seize money directly from borrowers' bank accounts.

Three Examples of the Loan Product

Three conservatively-calculated example loans based on one lender's advertised terms:

- $300 loan with bi-weekly payments, with fees, has an effective APR is 499%.
- $400 loan with monthly payments, with fees, has an effective APR of 306%. Borrower pays $1,305 in fees and interest, more than three times as much as originally borrowed.

If We Don't Allow these Loans for Military Members, Why Do We Allow it for Veterans

In 2006, U.S. Congress passed the Military Lending Act which says that you can't be charged an interest rate higher than 36% on most types of consumer loans and provides other significant rights.

The MLA applies to active-duty service members (including those on active Guard or active Reserve duty) and covered dependents. Loans are capped 36% which includes finance charges, credit insurance, add-on products, and other fees. Yet, high-cost, open-line of credit loans are being marketed to veterans who are being charged 300-400%.

Shouldn't we apply the same protections that are service men and women receive to all our citizens? If we pass SB 527/HB 1270, we will, once again, cap loans at 33% and protect veterans and all consumers.

Twenty-two states regulate these kind of loans-NOW IT's Time for Maryland to Do the Same

- **Seven states do not authorize non-bank lenders to make open-end loans. These states are:**
  - Alaska, Connecticut, New Jersey, New York, North Carolina, Oregon, and Pennsylvania
- **Fourteen states limit costs, including fees. These states are:**
  - Alaska, Arizona, Connecticut, Florida, Louisiana, Minnesota, Nebraska, Nevada, New Jersey, New York, North Carolina, Oregon, Pennsylvania, and Texas