January 20, 2015

State Senate Leadership
State House Leadership
Governor Inslee

RE: Payday Lending/High Cost Small Installment Loans and Debt Settlement Legislation

Dear Members, House & Senate Leadership and Governor Inslee:

We, the undersigned organizations from across Washington state, are writing to urge your strong opposition to current efforts to dismantle, weaken or change the consumer protections for the payday and debt settlement industries. We oppose HB 1922/SB 5899, which would allow payday lenders to create a new type of predatory lending product in our state. We are also opposed to HB 1398/SB 5321, which would allow out of state debt settlement companies to merely be licensed in the Washington, instead of regulated under our Debt Adjustment Act or Consumer Protection Act.

HB 1922/SB 5899

HB 1922 and SB 5899 replace current payday lending with a new installment product which, unfortunately, is not better for Washington consumers than the current system. Because of Washington's strong payday reforms passed in 2009, Washington has some of the best consumer results in states where high-cost short term lending is allowed. According to a recent letter from the Pew Charitable Trusts to all Washington legislators, they state that Washington's current law has resulted in a number of positive outcomes for residents as compared with other states.

Pew goes on to analyze HB 1922 and SB 5899 against current law and concludes that Washington consumers would not be better off under these proposals. Instead they cite the opposite: (1) HB 1922 would not improve the situation for Washington consumers, (2) they do not support an expansion of high-cost lending due to insufficient evidence that consumers will benefit from it, and (3) HB 1922 does not ensure necessary safeguards and if it were to become law our market here in Washington would experience adverse outcomes.

We all know the devastating consequences that payday loans can have and that were rampant before 2010 - exorbitant cost, debt cycle, no way out. We absolutely want to ensure that any high-cost loan allowed in Washington state does not repeat any of these circumstances for Washington consumers.

For these reasons and the great risk to consumers if the policy is wrong, we agree with Pew's final conclusion. Washington should not get ahead of the Consumer Financial Protection Bureau soon to be released regulations on small consumer loans. Instead, we hope Washington's strong reforms will help inform the CFPB in their rule making. On behalf of Washington's consumers we ask you to reject these proposals.

These bills would create an installment loan product that falls outside the scope of current regulation and charges consumers triple digit interest. This product is new in name only; as payday loans did before the 2010 law, this "new" product would again ensnare thousands of Washingtonians in a cycle of long-term debt. We fear it would have a devastating effect on consumers at a time when expensive loan products are the last thing we need. Payday and high-cost installment loans, with annual rates of 200% or more, simply dig borrowers into a hole they can't climb out of, toss them a shovel and force them to keep digging. It's time to put rules in place that will end abusive practices and eliminate the debt trap, not pass bills that codify these abusive practices. Everyone in our state, regardless of their income, has a right to fair and reasonable consumer protections when they borrow money.

We strongly urge members of the Legislature to refrain from placing narrow industry interests above the vital public interest in regulation of the consumer finance market place. Please don't experiment with new debt products on Washington consumers. Please OPPOSE HB 1922/SB 5899.

HB 1398/SB 5321

These bills, also sponsored by industry, weaken consumer protections around debt settlement practices. Families fall into debt for a variety of reasons, including illness, a medical event, or job loss. Debt settlement companies purport to offer debt-burdened consumers a way to become debt-free while paying substantially less than what they owe, particularly on their credit cards. But debt settlement can be risky; for many consumers, it is not the solution it is marketed to be. All too often, far from becoming debt-free, debt settlement clients are in fact left in a worse financial position than where they started. Please OPPOSE HB 1398/SB 5321.

Sincerely,