



pennsylvania
DEPARTMENT OF BANKING

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SECRETARY OF BANKING

May 2, 2012

The Honorable Robert W. **Godshall**
Chairman, Consumer Affairs Committee
Pennsylvania House of Representatives
150 Main Capitol Building
Harrisburg, PA 17120

Dear Chairman Godshall, Democratic Chairman Preston and Members of the House Consumer Affairs Committee:

Thank you for the opportunity to comment on the important licensure, regulatory and enforcement provisions contained in the proposed **amended** version of HB-2191. We believe these to be among the strongest provisions in the various state laws which regulate the short term lending business. Should the amended version of **HB-2191** become law, we are committed to regulating the short term loan business in a fair and equitable manner, especially with regard to "borrower protection" provisions of the legislation.

Most importantly, under the provisions of the amended **version** of **HB-2191**, no person may market, service, arrange, make, hold, originate, extend, contract or negotiate (electronically or by other means) a short term loan without being licensed by the Department of Banking.

Any person that carries out any short term loan **transaction** without being licensed commits a felony of the third degree and loans transacted by any unlicensed person are **uncollectable** and unenforceable.

Applicants for licensure are required to meet rigorous licensing standards **including** having a sound financial structure with at least **\$250,000** in tangible net worth. Additionally, licensees are required to secure and maintain a **\$100,000** penal bond which is to be available to compensate consumers injured through violations of the act. These requirements should discourage "fly by night" companies from entering the business in our Commonwealth.

Applicants must also pass state and federal criminal history background checks and be investigated by the Department to determine that officers, **directors** and principals of the company are of good character and ethical reputation. Licensees would be required to participate in the **NMLS** (a national licensing data base) under which the status of non-depository licensees is monitored on a nationwide basis.

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Additionally, licensees would be examined for compliance with the statute at the Department's discretion and assessed licensing and examination fees to assist in paying for the Department's licensing-regulatory program.

Under the provisions of the amended version of HB-2191, licensees are required to participate in an industry-wide "real time" electronic compliance system, administered by a third party contractor, that insures that short term loan borrowers are limited to borrowing the lesser of \$1,000 or 25% of their gross monthly income at any one **time**.

The legislation, as amended, further prohibits rollover or refinanced loans and other anti-consumer practices associated with short term loans in other states. Violations of these provisions can result in license suspension or revocation and **fin**es up to \$10,000 per offense as well as making the loan unenforceable and uncollectable.

Also, any person that engages in unfair or deceptive acts, practices or advertising in connection with a short term loan violates the **Unfair Trade** Practices and Consumer Protection Law and faces enforcement by the Attorney General and the stiff penalties contained in the act.

The amended **version** of HB-2191 contains strong licensing and enforcement provisions that provide the **Department** with the tools necessary to sufficiently regulate the short term loan business operating in **Pennsylvania**. We have worked diligently to have these strong regulatory **protections** included in the bill. Further we believe that our citizens, who may find a need to use this specialized financial **product**, will **be** adequately protected against unscrupulous practices and operators through the enforcement of these provisions.

Thank you for the work of your Committee on this matter and for requesting our comments on the **licensing**, regulatory and enforcement provisions of the **amended** version of HB-2191.

Sincerely,



Glenn E. Moyer