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MICHAEL B. SHEEDY
EXECUTIVE DIRECTOR

February 14, 2018

The Honorable Rob Bradley
414 Senate Office Building
404 S. Monroe Street
Tallahassee, FL 32399-1100

***RE: Opposition to SB 920 - Deferred Presentment Transactions: Promotes Usury***

Dear Chairman Bradley:

SB 920 will only exacerbate problems with an already-predatory product unique to Florida that unfairly takes advantage of vulnerable populations, including minorities, the elderly, and the poor.

***Florida's payday lending practices are abysmal***
Payday loans are often accessed by the working poor and persons on fixed incomes who find themselves in a financial emergency. However, Florida's current statutes fail to protect these consumers. The average payday loan borrower is caught in a cycle of debt by these loans, taking out seven loans in a year and paying an average 278% annual percentage rate (APR). Eleven (11) states and the District of Columbia prohibit such products outright and eight (8) others have APR caps that range from 17% to 45%.

***SB 920 does not provide a better product for Florida consumers***
As noted in the Senate staff analysis, this bill will, "generally raise the fees that customers must pay to engage in a deferred presentment transaction." For this analysis, the Office of Financial Regulation compared the cost of two $500 loans under the current statue to one $1000 under the proposed bill, both paid within 60 days. OFRs comparison identified that consumers would pay almost twice as much in fees under SB 920 ($110 versus $214.68).

***Even if it were helpful, passage of SB 920 would be premature***
SB 920 purports to respond to rules recently published by the Consumer Financial Protection Bureau (CFPB). It would establish a new product, which would continue to charge excessively high interest rates. Even if the need to "respond" to new rules would provide a better product (which is not the case), it should be noted that the CFPB has just announced that its new director is in the process of reviewing the proposed rules, which would go into effect in August 2019. This legislation would be premature.

***A rate cap would provide better protections in Florida statutes than the bill***
Payday borrowers may not otherwise have immediate access to capital. A better product would charge consumers a lower interest rate, comparable with other small dollar loans. We support SB 642 filed by Senator Baxley, which would create a cap of 30% APR for payday loans, comparable to other small dollar loan products.

We appreciate your consideration of our concerns and urge opposition to this bill.

Sincerely,
Michael B. Sheedy

Michael B. Sheedy

cc: Members of Senate Appropriations Committee