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## **National Groups Oppose Oklahoma Payday Loan Bill SB 583**

May 13, 2003

Dear Oklahoma Legislator:

Consumer Federation of America, Consumers Union, and the U. S. Public Interest Research Group urge the Oklahoma Legislature to **vote NO on SB 583**, the Deferred Deposit Loan Act. This bill carves out special legal treatment for outrageously expensive and risky small loans marketed to cash-strapped consumers.

The payday loan industry, made up of loan outlets, check cashers, and pawn shops, took in over \$4 billion in fees last year and made 95 to 100 million loans from up to 24,000 storefront outlets. Regardless of the loan limits written into state laws, many payday loan customers become mired in repeat loans. Opposition to payday lending is growing among consumer, community, civil rights, and religious groups.

SB 583 hikes the price of borrowing \$300 for 13 days to 421% APR. The maximum finance charge for a \$500 loan will be \$65. SB 583 allows borrowers to have six loans in a 90-day period, for a total cost of \$390 for a \$500 extension of credit. Every unpaid loan involves a check that won't clear the bank. SB 583 permits lenders to tack on a \$25 bounced check charge and to treat the unpaid loan as a civil "hot" check.

SB 583 sets a cynical debt trap for Oklahoma borrowers. The bill permits consumers to juggle two loans at the same time, making the 13-day waiting period between loans at one lender a meaningless sham. If the maximum six loans are for a typical 15-day term, this bill permits Oklahoma consumers to be in continuous debt for three months at a stretch. The "protections" in SB 583 are riddled with loop-holes. For example, loans don't count as a prohibited "renewal" if a consumer cashes his paycheck, repays the first loan with cash, then writes another check for a new payday loan. These "serial" loans are common practice in the industry.

Oklahoma has been a leader in providing access to very small loans and in putting all lenders on the same regulatory playing field. Payday lending is a bad deal for Oklahoma consumers. SB 583 authorizes record high interest rates for small loans and sets a debt trap for borrowers. We urge you to vote No to SB 583's version of payday lending.

Sincerely,

Jean Ann Fox  
Consumer Federation of America

Rob Schneider  
Consumers Union

Edmund Mierzwinski  
U. S. Public Interest Research Group

Consumer Federation of America is a non-profit association of about 300 pro-consumer organizations with a combined membership of over 50 million people. CFA was founded in 1968 to advance consumers' interests through advocacy and education. Its reports on payday lending are posted at [www.consumerfed.org](http://www.consumerfed.org).

Consumers Union, publisher of Consumer Reports, is an independent, nonprofit testing and information organization serving only the consumer. We are a comprehensive source of unbiased advice about products and services, personal finance, health, nutrition, and other consumer concerns. Since 1936, our mission has been to test products, inform the public, and protect consumers.

U. S. Public Interest Research Group serves as the national lobbying office for state Public Interest Research Groups. PIRGs are non-profit, non-partisan consumer, environmental and good government research and advocacy organizations with members around the country.