

SOCIETY OF ST. VINCENT DE PAUL
TUCSON DIOCESAN COUNCIL

829 South Sixth Avenue
Tucson, AZ 85701
www.svdptucson.org



520.628.7837 phone
520.624.9102 facsimile
inbox@svdptucson.org

Arizona State Senate
Finance and Commerce Committee

February 14, 2024

Re: SB1273

Chairman Mesnard and Honorable Members of the Senate Finance and Commerce Committee:

In 2008, Arizona voters overwhelmingly voted to end payday lending in Arizona. Since then, the Society of St Vincent de Paul and our allies across the faith community have worked tirelessly to keep predatory lending products from returning. However, SB 1273, currently under consideration, would open a new loophole for payday lenders.

Simply by calling themselves Earned Wage Advances, payday lenders of old could bypass current interest rate limits and borrower protections. In fact, the bill creates a legal fiction, stating that "Earned Wage Advance products" are not loans, the firms advancing the money are not lenders, and the related fees would not to be called interest.

Regardless of the deceptive way the industry markets this SB1273, the reality is that this is an extremely dangerous bill for people in poverty for many reasons including:

It places no limits on how much the lenders can charge. According to the California Department of Financial Innovation and Protection, Earned Wage Advance products carry an average APR of 330%.

It allows direct bank account debiting, without limiting the number of times a lender can attempt to charge a bank account. This can lead to catastrophic financial consequences for the borrowers including bank account closures triggered by excessive overdrafts.

Protections for the borrowers are meaningless or non-existent, and merely formalize the practices of the industry instead of creating new guardrails. Earned Wage Advance providers do not engage in collections because they do not have to – they have direct access to a borrower's bank account, ensuring they collect as soon as the borrower is paid.

Most borrowers expedite their loans, creating additional loan initiation fees and rendering the availability of the "free" option moot. Studies have found that, across EWA companies, as



many as 3/4ths of users sometimes or always pay to expedite the availability of their borrowed funds.

As Vincentians, who have dealt for decades with people in poverty, we know by experience that if a person cannot wait for just a few days to receive his/her salary, that person has profoundly serious underlying problems which will not be solved by the earlier availability of cash.

On the contrary, signing a contract for Earned Wage Advance products would almost certainly add another pressure to the preexisting ones many people are already experiencing. It is no surprise, then, that borrowers quickly find themselves in a cycle of borrowing and reborrowing, with most user surveys showing that borrowers use the product dozens of times throughout the year, some using multiple lenders at the same time. Unless the borrower has a sudden influx of cash other than their normal wages, he/she will likely have to continually borrow to make up the "hole" their advance plus the fees and tips they paid for it leaves in their paycheck.

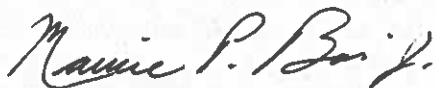
The Society of St. Vincent de Paul of Southern Arizona strongly opposes SB 1273, well knowing that those who might be tempted to borrow on such predatory terms are usually the most vulnerable and desperate within our population. These products have no useful place in Arizona, not for the working poor nor anyone else. Why would anyone with an acceptable credit rating borrow under such usurious conditions?

Instead of filling a need, these products would create a new one by causing a shortfall the borrower must meet as they attempt to stretch their budget paycheck to paycheck, leading them to borrowing and reborrowing, paying fee after fee and "tip" after "tip."

The truth is, no loan product can address the real issues faced by many Arizona workers while their current wages cannot match the increased cost of living. Given that reality, loan products like Earned Wage Advances only strip wealth. They do not build it.

On behalf of ourselves, our members, and the people we serve, and based upon our years of experience serving those in need, please do not pass SB1273!

Thank you for your time and attention to this critical issue.



Maurice P. Bois, Jr.

President

Tucson Diocesan council

Society of St. Vincent de Paul

Honorable Senator Mesnard and
Members of the Finance and Commerce Committee

Feb 20, 2024

My name is Giulio Grechi. I live in Tucson (85711), and

I am a member of the Society of St. Vincent de Paul.

As Vincentians, we serve the neediest in our society and we try our best to move them out of poverty, by helping to remove the obstacles that hold them back.

For years, I have been coming to the AZ Legislature, representing those we serve, supporting bills, which could be of help, and opposing other bills, which could be of detriment.

Now, at age 85, I no longer find it easy to drive to Phoenix to testify, so I rely on this brief note to convey my message.

Please do not pass SB 1273, Earned Wage Advances. The bill is effectively re-introducing the old Pay Day loans, by using a different name, in spite of the fact that Pay Day loans were outlawed in 2008.

No one with some common sense would borrow any money at the outrageous rates that companies offering Earned Wage Advances would charge, unless a person is desperate, with no other alternatives. A desperate person needs help, not to be exploited by unscrupulous money lenders.

Please oppose SB 1273.

Many thanks.

Giulio Grechi