

October 20, 2017

The Honorable Thomas P. DiNapoli
Comptroller, New York State
110 State Street
Albany, NY 12236

Dear Comptroller DiNapoli:

The undersigned organizations urge you to immediately and permanently divest New York State's pension funds from payday lending companies – whose loans are categorically illegal in New York. State pension funds invested more than \$18 million in payday lending and high-cost installment lending companies in 2016.

Investing public pension funds in disreputable payday lending companies raises a direct conflict for the State. Not only do these companies make triple-digit interest rate loans that are illegal in New York, but most of them have been the subject of enforcement actions for flagrant violations of the law; mistreated customers; and evaded strong state usury laws by engaging in illegal online predatory lending.

Among the investments:

- **Cash America International, Inc.** and **EZCORP, Inc.** have been the subjects of major enforcement actions by the Consumer Financial Protection Bureau (CFPB) for illegally robo-signing court documents, violating the federal Military Lending Act,ⁱ and unlawfully harassing borrowers at their homes and workplaces,ⁱⁱ among other violations.
- **Cash America International, Inc.** also made loans with interest rates that exceeded 1,000% to Pennsylvania residents,ⁱⁱⁱ in violation of Pennsylvania's consumer protection laws.
- **World Acceptance Corp.** has been under investigation by the CFPB^{iv} since March 2014 to determine whether the company's exploitative business practices^v are in violation of the Consumer Financial Protection Act, the Truth in Lending Act, and other federal consumer financial laws.
- **Enova International, Inc.**, operator of the online payday lender CashNetUSA, was found to have received the most consumer complaints among all payday lenders,^{vi} according to the CFPB's consumer complaint database.

We believe these investments pose reputational, legal, regulatory and economic risks, and that you have a moral and fiduciary obligation to divest.

New York is one of the 15 states, plus D.C., where strong state usury laws and enforcement effectively ban payday lending. New York's usury laws are among the strongest in the nation, capping interest rates at 25% APR. Thanks to our ban, New Yorkers save about \$790 million per year in fees^{vii} that payday lenders and their ilk would otherwise siphon—an estimate that does not even include bank overdraft fees and other economic fallout from payday loans.

In states where the payday lending industry is permitted to operate, people struggling to get from paycheck to paycheck are systematically targeted for high-cost loans they cannot afford. Payday lenders charge excessive fees and shockingly high interest rates – typically between 300% and 400% APR. The payday lending business model is predicated on loan-flipping, as borrowers typically must refinance or roll over their loans – often multiple times – ensnaring them in a long-term cycle of debt. Research has shown that communities of color are disproportionately targeted for these debt-trap loans.^{viii}

Despite the clear benefits of banning payday lending, payday lenders and other fringe financial services companies have for years pushed legislation in Albany that would legalize high-cost predatory lending in New York. Those efforts have been defeated thanks to tireless advocacy by a statewide coalition of civil rights, faith-based, labor and community groups.

This year, lawmakers again reaffirmed New York’s longstanding commitment to keeping payday loans out of our state by rejecting several bills^{ix} – backed by powerful interests like New York’s check cashing industry and a California-based “fintech” corporation – that would have blown up New York’s usury laws and opened the floodgates to predatory lending.

Meanwhile, as of fiscal year 2016, the New York State pension fund invested in at least six of the country’s largest payday and high-cost installment lenders – Cash America International, Inc., Enova International, Inc., EZCORP, Inc., First Cash Financial Services, Inc., Regional Management Corp., and World Acceptance Corp.

These investments fly in the face of New York’s groundbreaking and effective actions to keep payday lending out of our state. New York’s enforcement agencies, for example, have cracked down on illegal payday lending, issuing warnings to debt collectors that it was illegal to collect on payday loans in New York; directing payday lenders to stop making illegal payday loans to New York State residents; and calling on banks and their payments processors to stop allowing payday lenders to access New Yorkers’ bank accounts. New York has also obtained agreement from the national credit bureaus to cease reporting illegal payday loans on New Yorkers’ credit reports.

New York has made important strides toward economic equality and opportunity recently. Last year, for example, the worker-led “Fight for \$15” movement won a landmark increase to the state’s minimum wage. And though we have much more work ahead, bankrolling an industry that systematically exploits working people, retirees, and others struggling to get by and strips wealth from low-income communities and communities of color threatens not only to undercut those gains – it is an affront to New York values.

Last year, New Jersey, which also effectively bans payday lending, sold its pension fund investments in a private equity fund that held Ace Cash Express, another of the nation’s largest payday lenders.^x Commenting on the state’s divestment from this payday lending company, the chairman of the New Jersey State Investment Council stated, “The bright line is what’s legal to do and what’s not legal to do in the state of New Jersey.”^{xi} At a minimum, the New York State pension fund should follow this same bright line and fully and permanently divest from payday lending companies.

Please contact Andy Morrison at New Economy Project with questions: 212-680-5100 x210.

Respectfully,

Buffalo Urban League
Brooklyn-Wide Interagency Council on Aging (BWICA) Educational Fund, Inc.
Dēmos
Empire Justice Center
Fordham Law School Feerick Center for Social Justice
Good Old Lower East Side (GOLES)
Housing Court Answers, Inc.
Housing and Family Services of Greater New York, Inc.
La Fuerza Unida, Inc.
LatinoJustice PRLDEF
Long Island Housing Services, Inc.
Lower East Side People's FCU
Mobilization for Justice, Inc. (formerly MFY Legal Services)
National Center for Law and Economic Justice
New Economy Project
New Yorkers for Responsible Lending
New York Legal Assistance Group
NY StateWide Senior Action Council, Inc.
NYU Law Students for Economic Justice
Western New York Law Center
The Working World

ⁱ <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-takes-action-against-payday-lender-for-robo-signing/>

ⁱⁱ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-ezcorp-to-pay-10-million-for-illegal-debt-collection-tactics/>

ⁱⁱⁱ http://www.philly.com/philly/blogs/inq-phillydeals/PA_forces_national_payday_lender_off_Internet.html

^{iv} <https://www.valuewalk.com/2014/03/sub-prime-lender-world-acceptance-corp-receives-cid/>

^v <https://www.propublica.org/article/installment-loans-world-finance>

^{vi} <http://www.uspirg.org/reports/usp/predatory-loans-predatory-loan-complaints>

^{vii} http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_payday_fee_savings_jun2016.pdf

^{viii} <http://www.responsiblelending.org/california/ca-payday/research-analysis/predatory-profiling.pdf>

^{ix} http://gothamist.com/2017/06/09/payday_loans.php

^x <https://blogs.wsj.com/privateequity/2016/01/29/committed-new-jersey-pension-sells-stakes-in-jll-carlyle-funds/>

^{xi} https://shelterforce.org/2016/03/06/nj_divests_from_payday_lending/