

Faith for Just Lending

coalition to end predatory payday lending

November 19, 2015

The Honorable Richard Shelby
Chairman
Senate Committee on Banking, Housing,
and Urban Affairs
United States Senate
SD-534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
Senate Committee on Banking, Housing,
and Urban Affairs
United States Senate
SD-534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Shelby and Ranking Member Brown:

We write as a diverse and non-partisan group of religious leaders, practitioners, and social service providers who are working together to end the predatory practices of payday lending. While many states have effectively reined in the worst abuses of this industry, too many people are still being caught up in the vicious debt trap cycle that is part of the business model for some engaged in this industry.

We applaud the desire of some lawmakers to craft a federal response to the abuses of this industry. We understand that several members of Congress are considering introducing Florida's payday loan law as a solution. While we affirm Congress' duty to restrain predatory lending practices, we disagree that Florida's law accomplishes the task. There are multiple reasons why such a law is inadequate and will do little to protect low-income Americans who are vulnerable to financial predators.

- **Under Florida law, the typical payday loan costs nearly 300% annualized interest (APR)**—an exorbitant rate of interest that wreaks havoc on households who are already struggling financially.
- Limiting borrowers to one loan at a time has failed to provide relief in Florida, where 85% of payday loans are issued to borrowers with seven *or more* loans per year.
- Rollover bans and cooling off periods have not provided victims with an avenue of escape from sophisticated loan sharks. In spite of the “best practices” law, 88% of repeat loans were made before the borrower's next paycheck.
- Real-time databases are essential to enforce certain regulations but are not, in and of themselves, an effective tool.

More effective options for regulating small dollar lending exist, including limiting loans to 36% APR and requiring longer repayment terms. Some payday lenders claim they cannot stay in business under such regulations. Yet, small dollar lending remains viable under more reasonable terms.

We recognize the need exists for small, non-collateralized, short-term loans. But our nation can do better than putting the entire burden on desperate people to ensure they are not being preyed upon. We agree that individuals should manage their resources responsibly, save for emergencies, and help others in need. We ask our churches and institutions to teach responsible stewardship and assist neighbors in times of crisis. But we also believe lenders should extend loans at reasonable interest rates based on ability to repay within the original loan period, taking into account the borrower's income and expenses.

We are confident effective legislation is possible. We offer ourselves and our expertise to you as you seek a real solution that helps those with immediate financial needs while prohibiting usury and deceptive lending practices.

Sincerely,

Southern Baptist Ethics & Religious Liberty Commission

United States Conference of Catholic Bishops

National Association of Evangelicals

National Latino Evangelical Coalition

National Baptist Convention, USA, Inc.

Cooperative Baptist Fellowship

Center for Public Justice

Ecumenical Poverty Initiative

PICO National Network