Faith for **Just Lending**

The Collateral Consequences of Payday Loan Debt

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Faith for Just Lending is a coalition of diverse faith-based institutions working to end predatory payday lending. The Faith for Just Lending steering committee includes Catholic Charities USA, Center for Public Justice, Cooperative Baptist Fellowship, Ecumenical Poverty Initiative, Ethics & Religious Liberty Commission of the Southern Baptist Convention, National Association of Evangelicals, National Baptist USA, National Latino Evangelical Coalition, PICO National Network, and the United States Conference of Catholic Bishops.

Acknowledgements

Thank you to the following report contributors: Nate Frierson, Wes Helm, Dontae Phillips, Katie Thompson, Rachel Anderson.

April 13. 2016

For further information, please visit

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The Collateral Consequences of Payday Loan Debt

Each year, over twelve million Americans use payday loans often in an attempt to solve a financial crisis.[1] Payday loans and their companion car title loans often charge exorbitant rates in exchange for cash. A typical payday loan has an annualized interest rate of 391%.[2]

A significant body of research documents the impact of high-cost payday and car title loans on borrowers. Despite being marketed as a short-term solution, the typical payday borrower stays in debt for 212 days out of the year[3] and spends more in interest and fees than he or she originally borrowed.[4] Further, research has shown that access to payday loans is linked to falling behind on other debts, losing one's bank account, and filing for bankruptcy.[5]

> The typical payday loan borrower pays $458 in fees for a $350 loan.

Faith for Just Lending, a coalition of faith-based denominations and institutions, sought to deepen the understanding of payday lending's consequences by surveying clergy and faith-based service providers. Clergy and faith-based service providers offer a unique perspective on the impact of payday lending. They are positioned to observe the financial effects of payday lending but also the emotional, spiritual and relational outcomes as well – the collateral consequences of high-cost loans. As congregations and service providers step in to assist individuals trapped in payday or car title loans, these organizations are themselves affected by payday lending. In 2015, Faith for Just Lending surveyed clergy and lay leaders affiliated with the coalition's members in order to learn:

- Do payday or car title loans generally help or hurt those who use them?
- What features and effects of payday and car title lending are most notable to clergy and service providers who help individuals with payday or car title debt?
- What are the effects of payday and car title loans on faith-based service providers and ministries? For example, do congregations, service providers, and ministries use charitable funds to pay off loans for borrowers?

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[1] Pew Charitable Trusts, "Payday Lending in America: Who Borrows, Where they Borrow, and Why" July 19, 2012.

[2] Lenders usually charge about $15 per $100 borrowed, 391% APR for loans due in two weeks. See Pew, "Payday Lending in America."

[3] Leslie Parrish, Center for Responsible Lending, "Payday Loans, Inc." March 31, 2011

[4] Consumer Financial Protection Bureau, "Payday Loans and Deposit Advance Products: A whitepaper of initial findings" April 24, 2013, p. 15, 22. The median consumer in the CFPB's sample conducted 10 payday loan transactions over a 12 month period and paid a total of $458 in fees (not including principal). The median loan size in the sample was $350. *http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf*

[5] See Sumit Argawal, Paige Marta Skiba, and Jeremy Tobacman, "Payday Loans and Credit Cards: New Liquidity and Credit Scoring Puzzles" 2009; Dennis Campbell, Francisco de Asis Jerez, and Peter Tufano, "Bouncing out of the Banking System: An Empirical Analysis" 2008; Paige Marta Skiba and Jeremy Tobacman, "Do Payday Loans Cause Bankruptcy?," 2008.

To answer these questions, Faith for Just Lending distributed an online survey to congregations and faith-based organizations, requesting that it be completed by "a pastor, deacon, someone who deals with helping ministries, social services ministry, financial assistance or similar services." The two key findings of this report are drawn from the 107 respondents who knew one or more persons who had used payday or car title loans.[6] Faith for Just Lending received responses from 26 states across the country. Survey results were augmented by follow-up telephone interviews and responses from one Texas congregation that undertook an in-depth listening and interview process with their members.

The first section of this report summarizes key findings from the online survey. The second section categorizes recurring themes conveyed in open written responses, in phone interviews, and the congregational listening process. Faith for Just Lending collected 42 accounts[7] from clergy or service-providers and an additional 15 stories from borrowers or their family and friends.

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[6] 161 respondents took the survey. 107 respondents indicated that, in the last three years, they had encountered at least one individual who had taken out a payday or car title loan.

[7] A few survey respondents and interviewees provided stories about several different individuals who had taken out payday or car title loans. Stories about separate borrowers are typically treated as separate accounts.

Executive Summary

Faith for Just Lending, a coalition of diverse faith-based institutions, surveyed and conducted interviews with clergy and religious service providers who were in contact with payday and car title loan borrowers in order to understand:

- Do payday or car title loans generally help or hurt those who use them?
- What features and effects of payday and car title lending are most notable to clergy and service providers who help those with payday or car title debt?
- What are the effects of payday and car title loans on faith-based service providers and ministries? For example, do congregations, service providers, and ministries use charitable funds to pay off loans for borrowers?

Key Findings

- Among clergy and service providers who know people who have utilized payday or car title loans, the vast majority (86%) identify a negative impact on the borrower.
- It is common for congregations and organizations to help pay off payday or car title debt. Nearly a third of clergy and service providers (35%) who know persons with payday or car title loans had provided money to help pay off or refinance payday or car title debt.

Significant Themes

- Payday and car title loans frequently lead to a cycle of debt in which borrowers are unable to keep up with the loan and all their expenses without borrowing again.
- Loss of a major asset – a car, house or other key item – was consistently mentioned as a longer-term outcome of payday or car title lending.
- Clergy and lay leaders frequently spoke of borrowers on a fixed income who were vulnerable to high-cost loans and unable to escape the cycle of debt.
- The impact of payday and car title debt extends beyond financial harm to encompass family stress, anxiety, and even feelings of shame and loss of dignity.

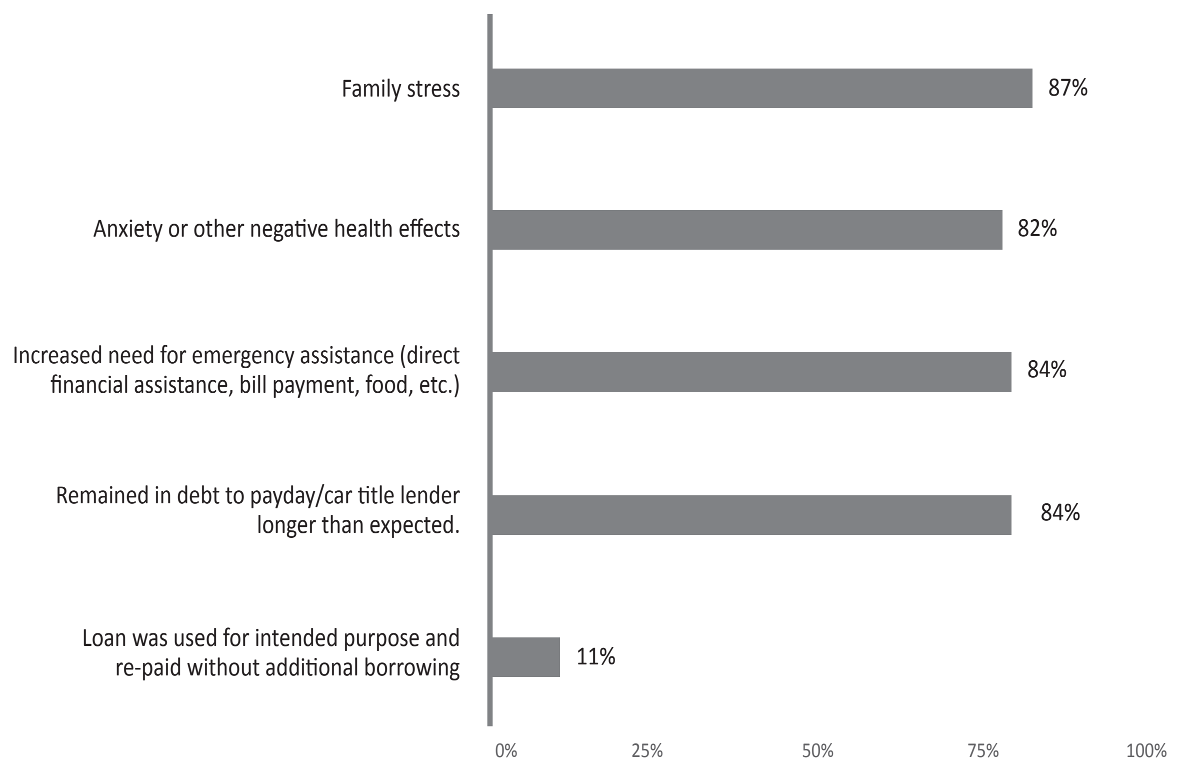
Section 1: Key Findings from Clergy and Service Providers Survey

Finding #1: Among those who have encountered people with payday loans, the vast majority identify negative impact on the borrower.

86% of respondents indicated that payday loans mostly hurt borrowers.[8] Only three respondents (under 3%) indicated that payday or car title loans helped. The clergy and service providers surveyed indicated that the negative impact from payday and car title loans extended beyond financial harm to emotional and familial impacts.

The results to this question show an overwhelming response that payday loans do indeed have a broad negative impact on the well-being of borrowers, as can be seen in Figure 1.0.[9]

Figure 1.0: Percentage of Respondents Who Said the Following were Either Common or Very Common for Payday or Car Title Borrowers:[10]



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[8] 35 out of 98 respondents to a question about helping people pay off a payday or car title loan indicated that they did help people pay off such a loan (35%).

[9] Question: "Would you say that taking out a payday or car title loan mostly helped or mostly hurt the individuals you assisted?" 87 of 101 respondents indicated that payday or car title loans mostly hurt borrowers. Only 3 respondents indicated that payday or car title loans "mostly helped." The remainder of the respondents indicated that they were "unsure."

[10] 71 Respondents answered this question.

Finding #2: It is common for congregations and organizations to commit to paying off high-cost loan debt for borrowers that they encounter.

35% of the survey respondents recorded having helped an individual pay off a high-cost payday or car title loan, typically with resources from their organization.[11]

Some of the survey respondents have developed formalized programs while others helped on an ad hoc basis. For example, in Minneapolis, Minnesota, Holy Trinity Lutheran Church created Exodus Lending, a low-cost small dollar loan designed to help individuals repay payday loans. In other cases, helping individuals with a payday or car title debt occurred through a congregational collection. A pastor in a United Brethren congregation in Colorado shared the story of a single-mother who signed loan documents she did not understand and found herself trapped in increasing debt to a payday lender. “The members of the congregation rallied around her to help pay off the payday loan....After several months of working together, they finally paid it off.”

[11] 35 out of 98 respondents to a question about helping people pay off a payday or car title loan indicated that they did help people pay off such a loan (35%).

Section 2: Significant Themes

The personal accounts of clergy, service providers, and individual borrowers further explain the damage that high-cost payday and car title loans can inflict. These stories have been organized into several categories that illustrate the impact of payday and car title lending on many borrowers and faith communities. The names in these stories have been changed or removed to protect the privacy of the individuals. The full collection of accounts from clergy, service providers, borrowers, and borrowers' friends and family members are provided in the appendix.

Cycle of Debt

The accounts of payday borrowing provided by pastors, social service providers and borrowers frequently referenced an ongoing cycle of debt. A cycle of debt occurs when borrowers are unable to repay their payday or car title loan and, instead, "flip" the loan or take out another loan soon after repaying the first. This process repeats itself over and over as the borrower becomes deeper and deeper in debt. These few accounts exemplify the problem.

> A young father in Kentucky had an accident while driving truck at work. This resulted in him being fired by his employer. With bills mounting and young children to take care of, this man felt stuck and unable to do anything. His family had resources and could have helped him, however, he did not want to ask them and instead took out a payday loan. He took out the loan to cover his bills, but the result was that he got trapped for several months in a cycle of debt. Eventually, his family helped him pay it off, but the debt had grown so much that the entire family struggled financially because of the loan.
>
> *– from a pastor in Kentucky*

> "We/I am in debt. Interest rates are 80%-90% .We cannot keep up with payments. The harassment calls and emails. We are threatened constantly. We were desperate and irresponsible. The loan helped because I needed money to pay a bill, but the loan has me in debt. Still paying, I can't keep up with payments."
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> *– borrower from Texas who has been in debt since 2010 on a $250 dollar loan*

Loss of Major Asset

Faith leaders consistently identified loss of a major asset as a consequence of payday or car title loans. The loss of a home or vehicle is a real danger for borrowers when they take out high-cost small dollar loans. Not only are these losses difficult enough in their own right, but they also exacerbate the cycle of debt for borrowers. At least fourteen of the accounts collected from faith-based leaders directly reference this issue and six of the first-hand borrower stories reflect this point as well. Below are a few representative stories that help illustrate how payday and car title loans can lead to loss of a major asset for borrowers.

"Dan (name changed for privacy) is a young father of four who has struggled to make ends meet, particularly since his wife is unable to work. Due to a lack of good paying jobs in our immediate area, Dan worked a series of odd jobs for farmers. During the winter his work slows down considerably and so Dan took out a title loan on his vehicle. The original loan amount was for $500 to pay their rent and help with food. Because Dan was unable to get back to work for a period of 3 to 4 months the loan kept ballooning with fees and interest until Dan owed over $2000 just three months after taking out the loan. He ended up losing that vehicle which impacted his family's ability to get around and his ability to work steadily."

– pastor in Missouri

"Mark", a successful young taxi driver from New York City, moved out west to the Denver area. When he arrived there, he discovered that there are large numbers of disabled veterans and elderly people in the area. He saw a need and decided he wanted to equip his cab and make it more handicap accessible so he could help these folks. However, these modifications turned out to be very expensive, so he took out a loan from the bank. Unfortunately, he then got behind on his payments and with no other option he took out a payday loan.

The cycle of fees and interests from the payday loan pushed him deeper into debt. Eventually, he got in so far over his head, that his local congregation tried to take up a collection to help pay for the payments. Because the congregation was very small and many members had very low incomes, even as a group they could not keep up with the payments.

Since Mark could never get enough money to pay back the loan, his only option was to sell his handicap accessible cab to pay off his debt. Mark has since left the state, and there are now no regular cabs in the area that will provide services to disabled folks.

– from a pastor in Colorado

Fixed Income Households Especially Vulnerable

Borrowers on a fixed income are especially vulnerable to predatory lenders. Not only are these borrowers attractive to lenders because of their steady source of regular income, they also struggle to get out of debt for the very same reason. According to a 2013 Pew Research study, borrowers often need some sort of infusion of cash in order to pay off predatory loans.[12] However, individuals on a fixed income may not be able to gather enough money to pay off the entire debt and, instead, spend months and even years in debt. While the survey did not ask for this type of information, seven out of the accounts gathered explicitly mention the fact that the borrower was on a fixed income. The following quotes provide vivid examples of how this can be a problem.

> My mother, who is 76, was a victim. She ran short on a bill and saw a commercial for a payday loan. She is on a fixed income and when the repayment was due, ended up taking out another loan to pay the first one. She ended up with a dozen loans. I had to take ownership of her finances and help pay them off or she would have lost everything.
>
> *– borrower from Texas*

> "An elderly lady on fixed income took out payday loan to help out her son who had lost his job and needed help paying the rent for his family so they did not get evicted. Her son could not pay the loan when it came due because he had not found employment. So his mother had to take out another loan to pay off the first because she didn't have sufficient income to pay her bills and pay the loan off. This started the cycle of her being trapped in a pay day loan cycle of debt."
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> *– ministry organization in Kentucky*

[12] "Payday Lending In America: How Borrowers Choose and Repay Payday Loans" (The Pew Charitable Trusts, 2013), 7.

Shame

Clergy, service providers, and borrowers alike often mentioned shame, embarrassment, or pride as the reason for turning to the payday lender instead of their family, friends, or church. Later, these very same people end up being the ones who help the borrower get out of the debt trap. Six of the accounts from faith leaders specifically mention this theme. Here are several examples that demonstrate the way that this contributes to the problem of the debt trap.

> "One person needed $200 and took out a loan but couldn't pay it off when the two weeks were over and it took several months before he was able to pay everything off and only with the help of others. It ended up causing a lot of added stress and heartache for the entire family. There is a lot of shame and embarrassment connected to these types of loans."
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> *– church leader in Kentucky*

> "I service three counties in Ohio, most of the individuals I see using payday loans and/or car title loans are seniors and individuals on fixed incomes. These individuals have no way of paying the loan without re-borrowing in order to meet the monthly expenses and most have more than one loan. It [is] very frustrating to see the stress and embarrassment these individuals experience. They will not let family know of the loans or ask for help to pay off the loans."
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> *– social service provider in Ohio*

> "[Taking out payday loans] added more stress on my wife and I it hurt us even more where we had to borrow more from family and friends. Every payday was stressful since I knew we had to go pay for the loan. I felt like a failure because I didn't make any improvement. It affects way of life and only is one time fix for that time but adds even more burden in the long run. It affects everything in life each day such work family and friends. You keep it within because you don't want others to know and feel sorry for you or look down on you or ask a lot of question that you're not comfortable with."
>
> *– borrower in Texas*

> "There are community resources to help people pay rent or who are in a bind, but they have a label on them. If I go to a payday lender, I'm just a consumer who is in a bind, but if I go to the local church I am someone who is in need and I don't want to be identified with that label."
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> *– borrower in Texas*

Charitable Resources Used to Repay Lenders

Fourteen of the accounts recorded here indicate that the borrower in question got out of the debt trap through the intervention of a faith-based organization. In several cases, the congregation or charity extended funds to pay off the loan.

> "A single mom working full time took out an $800 payday advance to help pay her bills. She was caught in a 'hamster wheel' of getting advances to pay off the debt. A member of our organization sat down with her to sort through it and realized she had no financially viable way out unless there was a third party intervention. She was given a loan from the church to pay off the advance and then over time was able to successfully repay the church loan."
>
> *– service provider in Michigan*

> "'Katie' was a responsible church member in Kansas. Her ex-husband had run up debts of over $35,000 dollars before he disappeared, putting her in a significant financial hole. However, she was able to pay off those debts through her hard work as the manager of a local restaurant.
>
> Soon after the debts had been paid off, her child got into financial trouble. Since she had been spending all of her money repaying her ex-husband's debts, she had no reserves to draw upon. She took out a $500 car title loan to deal with the expense and then began making regular payments to the lender. She also began to save money every week to build up the money necessary to pay off the principal.
>
> When she went into the store to pay off her remaining balance, she found out that she still owed well over $500 dollars. Her "regular payments" had only been going towards fees and interest. She had no other options for money and was faced with the possibility of losing her car. She went to her church with a printout of payments, and her horrified pastor told her that it was all legal. Fortunately for Katie, her church was able to take up a collection and pay off the loan for her."
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> *– from a pastor in Kansas*

Conclusion

Churches and faith-based service organizations that provide services to members and neighbors often become aware of the range of struggles that households face. In some cases, those challenges include becoming entrapped in expensive debt that the family cannot repay. On the surface congregants or clients may come for help with rent, utilities, or putting food on the table. However, when providers dig deeper, they may find that clients are unable to consistently pay these essential bills because that money is going to appease a payday lender.

The accounts and stories collected from clergy and service providers overwhelmingly report negative effects from these loans. The harm caused by high-cost debt extends from its impact on financial well-being to feelings of stress and shame that disrupt family and other relationships. Multiple accounts mentioned a strain on marriages resulting from payday and car title loans.

The survey revealed a significant number of faith-based institutions using charitable resources to help pay off payday and car title debt. This charitable work is crucial but it also points to the negative spillover effect of high-cost payday and car title lending onto nonprofits and other community institutions. Charitable resources that could be put to other uses are, instead, siphoned off to repay loans that were poorly underwritten and exorbitantly priced in the first place.

Appendix 1: Faith Groups that Participated in Survey

Participating Faith Networks

- Catholic Charities USA
- Center for Public Justice
- Church of God in Christ – Urban Initiative
- Cooperative Baptist Fellowship
- Ecumenical Poverty Initiative
- Ethics & Religious Liberty Commission of the Southern Baptist Convention
- Gospel Justice Initiative
- Hebrew Free Loan Association
- National Association of Evangelicals
- National Baptist Convention USA
- PICO National Network
- Society of Saint Vincent DePaul
- U.S. Conference of Catholic Bishops

Religious Traditions/ Denominations represented

Jewish

Roman Catholic

Protestant

- Christian Reformed Church (CRC)
- Christ Methodist Episcopal (CME)
- Church of God in Christ (COGIC)
- Cooperative Baptist
- Episcopal
- Lutheran
- National Baptist
- National Association of Evangelicals (NAE)
- Presbyterian Church of the United States of America (PCUSA)
- Southern Baptist
- United Brethren
- United Church of Christ (UCC)
- United Methodist (UMC)

Appendix 2: Stories from Congregational/Ministry Survey

Alabama

A pastor from Birmingham, Alabama told the story of a woman who took out a title loan on the sole car in her family. She underestimated what the monthly payment would be by 400% and is now going to need assistance to extricate herself from the debt trap. She is likely going to lose her car. This was not the only victim of predatory loans in this church.

Another individual missed too many payments on a car title loan with result being loss of the vehicle to the title loan company.

For yet another woman in this same church, one payday loan led to another, at one point she had nine outstanding loans. Eight of these loans had been taken out to pay off other payday loans. This woman went bankrupt, and has since endured a long seven year slog to get back out of the debt trap. She still has two more loans to pay off, but with some help the end may be in sight.

– from a pastor in Alabama

Arizona

"The most recent client had an accident and to stay on his medical insurance he had to pay his company over $1400 a month for medical insurance which took most of his unemployment funds. He did not know about us or other social service agencies at the time and literally had not money left for anything including food and used the money to feed his family. Once back at work he was starting to get back on his feet financially but the car title loan at 206% interest was now a tremendous burden. He finally heard about us and we were able to lend him interest free the amount he used to pay off the car title loan - he can now pay us back at $5 a month and meet all his other financial responsibilities."

– from a social service provider in Arizona

Colorado

"Maria" was a hard-working, Spanish-speaking, single mother of five in Colorado. She was an important member of her local church who also worked as a maid at a motel. She was having difficulty keeping everything afloat, so she tried to take out a loan from the bank. The bank would not help her, so she eventually took out a payday loan. Maria had had difficulty with English and did not really know what she was agreeing to when she signed the loan. Very soon afterwards, the motel where she worked closed down and she no longer had a job. Trapped in increasing debt to the payday lender, she turned to her congregation for help. The members of congregation rallied around her to help pay off payday loan, but even working together they could not raise enough money. After several months of working together, they finally paid it off, and Maria was able to move on to the next town to find a new job.

– from a pastor in Colorado

A Spanish speaking man and his wife were members of a local congregation in Colorado. The wife became seriously ill and passed away after a battle with cancer. Eight years later, the man re-married to another woman who had joined the church. Both came into the second marriage with children from their earlier marriages. The couple saved up their money and decided to buy a house for their new family.

Unknown to them was the fact that the man's first wife had taken out payday loans while she was sick in order to pay for some medical bills. She had not told her husband, and since their last names were different, he not been connected to her debt when she died.

However, the debt was discovered when the man went to check his credit score. His deceased wife had not paid off the loans, and now the lenders attached the debt to him. What had been several payday loans amounting to about $1,000 in principal had now accumulated over $12,000 dollars in interest and fees.

This destroyed the man's credit score, and prevented the couple from buying the house. The church was able to enlist the help of a lawyer who was a church member to help the man get the lenders off of his back for this debt, however, the family is still renting because they missed their opportunity to buy the house they wanted and were scared away from the housing process completely.

– from a pastor in Colorado

"Mark", a successful young taxi driver from New York City, moved out west to the Denver area. When he arrived there, he discovered that there are large numbers of disabled veterans and elderly people in the area. He saw a need and decided he wanted to equip his cab and make it more handicap accessible so he could help these folks.

However, these modifications turned out to be very expensive, so he took out a loan from the bank. Unfortunately, he then got behind on his payments and with no other option he took out a payday loan. The cycle of fees and interests from the payday loan pushed him deeper into debt. Eventually, he got in so far over his head, that his local congregation tried to take up a collection to help pay for the payments. Because the congregation of the church was very small and generally has a very low income, even as a group they could not keep up with the payments.

Since Mark could never get enough money to pay back the loan, his only option was to sell his handicap accessible cab to pay off his debt. Mark has since left the state, and there are now no regular cabs in the area that will provide services to disabled folks.

– from a pastor in Colorado

Florida

"This individual had taken out a loan to pay for car insurance. Subsequently this individual lost his job in the health care industry. The loan was "refinanced" on more than one occasion. He received a small inheritance upon the death of a relative and most of this went to pay off the loan. The additional [amount] owed on the loan was paid off by his church's benevolence fund."

– faith based ministry in Florida

Georgia

One young lady from a church in Augusta, Georgia took out a loan….She was caught up in the debt trap and needed to take out four more loans from other lenders in order to pay for the first. She ended up owing more than $5000 on a $1000 loan.

– from a pastor in Georgia

A church in Columbus, Georgia reported the story of an individual who took out a car title loan. However, the individual could only meet the minimum payment. This kept them locked in a cycle of debt until the individual finally stopped paying loan and his or her vehicle was repossessed.

– from a pastor in Georgia

Illinois

"I have a single grandmother taking care of 2 grandchildren, for example. She is unable to receive much governmental assistance because she is a CNA, but really struggling to make ends meet. Therefore out of desperation has taken out payday loans. Twice (that we know of) she needed help. She felt shame and remorse but when we found out about the loans, we stepped in to help. She was notified that we WOULD NOT be doing this again. However, when she was financially needing assistance, that she should come to us to help with budgeting issues and to hear other suggestions."

– social service provider in Illinois

"A client came in because she was in foreclosure, but it turned out that she had also taken out a payday loan to try to stay current on her mortgage. She did not realize that the payday loan had an annual interest rate of 250%, and she also did not know that, among the documents that she had signed, was a wage assignment. We helped her revoke the wage assignment, which she did not know could be done simply by writing a letter to the lender and/or her employer. We then guided her through the foreclosure process. She did eventually have to file for bankruptcy, but we helped her avoid having to do that for as long as possible."

– social service provider in Illinois

"Lady took out a payday loan, thinking she would use her next pay check to pay it back. She did not realize the interest on the loan and the terms of the payback. One year later, she owed five times the amount she originally took out and was unable to pay it back."

– social service provider in Illinois

Indiana

"Individual consistently needs loans to meet basic needs as social service resources provide too little income, especially to meet transportation and utility needs. Individual now has made arrangements for smaller monthly payments at a significant interest rate in order to repay loans. Never ending cycle! Second individual had medical bills that consumed what limited income was available. Very difficult to pay off loans once cycle was started."

– social service provider in Indiana

Kansas

"Katie" was a responsible church member in Kansas. Her ex-husband had run up debts of over $35,000 dollars before he disappeared, putting her in a significant financial hole. However, she was able to pay off those debts through her hard work as the manager of a local restaurant.

Soon after the debts had been paid off, her child got into financial trouble. Since she had been spending all of her money re-paying her ex-husbands debts, she had no reserves to draw upon. She took out a $500 car title loan to deal with the expense and then began making regular payments to the lender. She also began to save money every week to build up the money necessary to pay off the principal.

When she went into the store to pay off her remaining balance, she found out that she still owed well over $500 dollars. Her "regular payments" had only been going towards fees and interest. She had no other options for money and was faced with the possibility of losing her car. She went to her church with a printout of payments, and her horrified pastor told her that it was all legal. Fortunately for Katie, her church was able to take up a collection and pay off the loan for her.

– from a pastor in Kansas

"Michael" was a young man in Kansas, who had dealt with some drug issues. Due to his struggles in the past he had terrible credit. He was doing well for a time when he ran into some financial trouble. Seeing no other option, he took out a car title loan. Even though the loan was only for $100, he could pay off the high interest and fees he was charged. He made weekly payments, but was still threatened with loss of his car. Right before his car was repossessed, he was able to get the help of a friend to bail him out and pay off the loan.

– from a pastor in Kansas

"A 54 year old man living on disability receives representative payee services from our agency. His monthly income is barely over $1000 per month which makes it hard to make ends meet. He was required to have payee services in order to continue to receive assistance from another area provider. He is easy prey for payday and car title loans. Even after he began payee services, he took out a $250 payday loan in January 2015 at 195.54% annual interest. His payee was able to pay him out of that in February with an additional $37.50. Unfortunately his car needed repairs and he took out a title loan on May 22 for $750, annual percentage rate on this loan was 270%. When he came into the office on June 16, he was distraught because he could not make the interest payment on July 1 of $162, feared he would have to let his vehicle go and that our agency would deny him further services. By July 1 it took $978.97 to pay off the loan, money he borrowed from our agency with an agreement to pay it back over the next five months. He has promised to stay away from these predatory lenders, but of course that remains to be seen."

– social service provider in Kansas

Kentucky

"Janet" was a hard worker living in the city of Chicago. One of her friends needed some money, so she lent it to her. Unfortunately, her friend never paid it back. In order to make up for the lost cash, Janet took out a payday loan. She made her payments every week, but was too humiliated and embarrassed to tell anyone what she was doing. One week she was forced to get her friend to drop off her payment for her. To her surprise she discovered that her friend had been stuck in a payday loan trap as well. Thanks to her full time job and hard work, Janet was able to eventually pay off the loan. Once she re-paid however, she was immediately asked to take out another loan. The lender continued to pester her to take out another loan even after she had gone home. After witnessing the dangers of the payday debt trap firsthand, she now works on legislation in Kentucky to cap the interest rates of these types of loans.

– from a an advocate and former borrower in Kentucky

"I counsel an older lady who was paying approximately $245 month with checking to cash loan and she had to borrow money from them before the end of the month to get through next month while still owing them a large amount from last month. This is the cycle poor people in poor communities do every day to survive without people with good faith and conscious stepping in to provide a better way of life."

– pastor in Kentucky

"Elderly lady on fixed income took out payday loan to help out her son who had lost his job and needed help paying the rent for his family so they did not get evicted. Her son could not pay the loan when it came due because he had not found employment. So his mother had to take out another loan to pay off the first because she didn't have sufficient income to pay her bills and pay the loan off. This started the cycle of her being trapped in a pay day loan cycle of debt."

– ministry organization in Kentucky

"Family took out payday loans and could not repay all the fees and loans and interest so they got further behind. Finally the family had to change banks in order to keep the loan company from taking out money at will. This finally allowed them to determine for themselves who got paid what and when. Slowly over years they began to be able to pay off the loan and get back on their feet."

– pastor in Kentucky

"One person needed $200.00 and then took out a loan but couldn't pay it off when the two weeks were over and it took several months before he was able to pay everything off and only with the help of others. It ended up causing a lot of added stress and heartache for the entire family. There is a lot of shame and embarrassment connected to these types of loans."

– church leader in Kentucky

In Kentucky, a couple started to become involved in their local church. The church began helping them when they had to move, when they needed meals and with some other things. The church began to dig deeper into the couple's situation and discovered something was not right. They decided to sit down with them and figure out what was going on. The church then discovered that the couple had four outstanding payday loans from one store. The couple had two $200 loans and two $300 loans from the same lender, but they claimed to be making payments every month. When the couple got their SSI check, they would use that to pay for what they needed and then they would have $100 left at the end of the month. They would then go to the bank, because the bank would give them access to $800 of credit as long as they had a positive balance. Next, this couple would write themselves an $800 check and take this to payday lender.

However, instead of paying off any of their loans with their $800, the payday lender would offer to refinance the loan for them so that they would only owe a small fee on each loan for that day. The couple agreed to make the small payments on each loan and walked out of the store with $600 in their pockets but deeply in debt to both the payday lender and their bank.

– from a pastor in Kentucky

A church member in Kentucky who collected a disability check each month to pay for his expenses began to get behind on his bills. This man could not hold a regular job due to his disability and relied on his monthly check for his income. He did not really understand his financial situation or the products that were available to him. As his bills grew, he decided credit cards were more expensive than payday loans and took out a loan from the local payday lender. He was quickly caught in the cycle of debt. Fortunately, his fellow church members were able to help him pay it off before he got too deep into the trap.

– from a pastor in Kentucky

"I met with a lady this week. She is a professional, a registered nurse. Due to her husband's job loss, she took out payday loans to pay bills, In order to keep up with just the interest, she works a second job. She works six 12 hour days each week. On one loan she has paid $2500 on an $800 loan. She was stressed to the point of panic and tears."

– pastor in Kentucky

"[One borrower] was the Executive Director in a youth outreach center. His car broke down and he did not have the cash to make the repair. He took out a payday loan. By the time we met with him he was making interest payments equal to the payments on a high end Mercedes. It put a huge strain on his marriage, was overwhelmingly stressful on him, and nearly cost him his job."

– pastor in Kentucky

A young father in Kentucky had unfortunate accident while driving truck at work. This resulted in him being fired by his employer. With bills mounting and young children to take care of, this man felt stuck and unable to do anything. His family had resources and could have helped him, however, he did not want to ask them and instead took out a payday loan. He took out the loan to cover his bills, but the result was that he got trapped for several months in a cycle of debt. Eventually, his family helped him pay it off, but the debt had grown so much that the entire family struggled financially because of the loan.

– from a pastor in Kentucky

Michigan

"Single mom working full time took out an $800 payday advance to help pay her bills. Was caught in a 'hamster wheel' of getting advances to pay off the debt. A member of our organization sat down with her to sort through it and realized she had no financially viable way out unless there was a third party intervention. She was given a loan from the church to pay off the advance and then over time was able to successfully repay the church loan."

– service provider in Michigan

Missouri

"Dan (name changed for privacy) is a young father of four who has struggled to make ends meet, particularly since his wife is unable to work. Due to a lack of good paying jobs in our immediate area, Dan worked a series of odd jobs for farmers. During the winter his work slows down considerably and so Dan took out a title loan on his vehicle. The original loan amount was for $500 to pay their rent and help with food. Because Dan was unable to get back to work for a period of 3 to 4 months the loan kept ballooning with fees and interest until Dan owed over $2000 just three months after taking out the loan. He ended up losing that vehicle which impacted his family's ability to get around and his ability to work steadily."

– pastor in Missouri

The range of impacts that payday loans can have is very broad. Two women who were in need of services from our organization in Springfield, MO came for help because of their payday loan debt. The two women stayed at the overnight shelter for some time. Payday loans had a devastating impact on the lives of both women. Both had dealt with deaths within their families and had to use payday loans for food, utilities and for other goods.

– from a service provider in Missouri

Nevada

"One of our members took out over eight payday loans- each one was to pay back the other. She was stressed, broken, and went to gambling in order to try to get from under these debts. Another lost his just recently purchased car because he could not pay the debit back. Another is hiding her car because they cannot pay back their title loan."

– church leader in Nevada

"I know an individual who got a car title loan with a car his father gave him. The father took the title back because he had to pay the loan or the individual would have lost the car. The father did not know his son copied the title before he gave it back to him and took out another title loan and several other pay day loans. The son became homeless and had to move back home with his parents because he cannot get ahead with the loans and the outrageous interest rates. He still lives with his parents and cannot seem to pay off the other loans."

– from a church in Nevada

Ohio

"I service three counties in Ohio, most of the individuals I see using payday loans and/or car title loans are seniors and individuals on fixed incomes. These individuals have no way of paying the loan without re-borrowing in order to meet the monthly expenses and most have more than one loan. It [is] very frustrating to see the stress and embarrassment these individuals experience. They will not let family know of the loans or ask for help to pay off the loans."

– social service provider in Ohio

"Member of congregation took loan to pay utility bill after being notified that it would be disconnected in the winter month. Percentage rate was high, Member could not pay on time because of other utility bill payments (electric) and even though they attempted to stop payments from being directly taken from their banking account- the withdrawals continued. Fees were added by the bank because of overdrafts and the member ended up owing more than four times more than they borrowed."

– church leader in Ohio

South Carolina

A pastor from South Carolina shared that a member of his congregation took out a payday loan, but had major problems repaying. It seemed that the more the individual paid back, the more debt he got in. The pastor discovered the APR was over 300%. He was able to approach the company about the ongoing indebtedness of the person and commit them to assisting the borrower by putting them on strict payments that guaranteed an end to the loan.

– from a pastor in South Carolina

Tennessee

An individual in the South Knoxville Community went through the Faith and Finances Course offered by Beacon of Hope. When she did so, the organization discovered that she was paying triple digit interest every two weeks on a payday loan. This loan was keeping her from ever moving forward with the lessons she was learning from Beacon of Hope's financial coaches. This woman has since received a low interest loan from her church to help her pay off the payday debt.

– from a service provider in Tennessee

"A single mother took out a payday loan to pay her utilities. She ended up paying $300.00 a month until she got her taxes back and could pay it off."

– service provider in Tennessee

"We had a man who was terminally ill who was paying $600.00 per month in payday loans. His disability check is only about $1000.00 per month. He was struggling to pay rent."

– service provider in Tennessee

A man living in the Knoxville, Tennessee area came to the attention of the Methodist Church. He was making rent to own payments on his home. The problem came when he decided he wanted to buy an Xbox for his grandson. He did not have the cash on hand to do so, so he took out a payday loan. The grandfather quickly discovered he could not pay back the lump sum payment and he became trapped in a cycle of fees and interest. In the end, the man actually lost his home, because he could no longer meet the necessary payments.

– from a service provider in Tennessee

"We have a grandmother who had to take custody of her grandchildren. She has a title loan at 150% interest and is paying $250.00 per month sometimes $350.00 when she is late with the payment. She fell behind on the mortgage. We are currently asking a church to pay it off."

– service provider in Tennessee

Texas

People sometimes need a little extra help. Our wages are sometimes less than our bills. But these things can cause more harm than good. Two months ago, I was almost evicted and thrown out of my apartment because my finances were all messed up. The $500 I borrowed turned into $1500+.

– church member in Texas

A friend of mine got a car title loan from Loan Star Title Loans for about $1200. He was unable to pay off the loan so I bailed him out. It took a long time, but my friend eventually paid me back. Later on he took out another loan from the same company for about the same amount and once again I bailed him out. This time for the last couple of years he has been unable to pay me back… [T]hese predatory loan companies can even affect people who do all of the right things financial but when they try to bail someone out of the debt they end up sustaining losses themselves.

– church member in Texas

"[Taking out payday loans] added more stress on my wife and I it hurt us even more where we had to borrow more from family and friends. Every payday was stressful since I knew we had to go pay for the loan. I felt like a failure because I didn't make any improvement. It affects way of life and only is one time fix for that time but adds even more burden in the long run. It affects everything in life each day such work family and friends. You keep it within because you don't want others to know and feel sorry for you or look down on you or ask a lot of question that you're not comfortable with."

– church member in Texas

It was a temporary patch to an income crunch that led to eviction, slow pay on loans, separation and divorce. Only through restoring my own financial house and leaving behind use of these subprime financial products with compound interest working AGAINST me … could I get my foothold back on my financial health.

– church member in Texas

I knew a guy who borrowed from a loan company store front. The interest was outrageously high. He was depressed often and always short on cash on his paydays because of paying the loan back. It is a legal pimping agency that preys on the needy. How can this be allowed? It is equal to crack dealing as far as I am concerned.

– church member in Texas

The loan definitely affected our budget. It cut into our basic needs such as groceries, gas and car repairs.

– church member in Texas

I took the loan ($1200) and paid rent, lost my car because I couldn't pay back the interest. They (payday lenders) victimize poor people suffering and struggling to survive.

– church member in Texas

One of my sisters got caught up in this. She ended up paying enough to buy a brand new car.

– church member in Texas

My mother, who is 76, was a victim. She ran short on a bill and saw a commercial for a payday loan. She is on a fixed income and when the repayment was due, ended up taking out another loan to pay the first one. She ended up with a dozen loans. I had to take ownership of her finances and help pay them off or she would have lost everything. If you truly want our country to thrive, at least put hard limits on what these companies can charge.

– church member in Texas

I took out a title loan because I needed rent money right away. I had money coming in a week so I was not worried. I got my money and went to pay my loan off. I only had a debit card and could not take that much out. I went back a week after and they had defaulted my loan and wanted my car. I was able to pay off with cash.

– church member in Texas

After the loan I was able to pay a particular bill. But then I had more than one loan and was not able to make my car payment. I was over $2000 behind and had my car repossessed. Due to the goodness of others, I was able to borrow money to get my car back… These people are nothing but loan sharks. This is a vicious cycle.

– church member in Texas

We/I am in debt. Interest rate are 80%-90% .We cannot keep up with payments. The harassment calls and emails. We are threatened constantly. We were desperate and irresponsible… The loan helped because [I] needed money to pay a bill but still paying. I can't keep up with payments.

– church member in Texas, has been indebted since 2010

My niece took out a title loan with Max Title. They gave her $2,500. Her payments were $350 a month which she paid for a year and a half. Then she fell ill and was in the hospital. My brother contacted the place to ask about making the payment. They would not let him. They said it had to be made by his daughter which my son signed “who cares who pays as long as it’s paid!” They tracked her down and when she was at the pharmacy after getting out of the hospital they towed her car. The administrator my brother talked to was at a different location and all the loan paperwork was transferred to another office. After paying for one and a half years none went to principal!

– church member in Texas

The interest rate on these loans makes it impossible to pay them back, plain and simple. Very friendly staff make it seem so easy to pay loan back, but harass you if you don’t pay and you must give bank account number so they can withdraw funds if you don’t pay one week. It was a temporary fix – paid rent one month but added to my debt. They wanted me to take out a bigger loan. Showed me how “easy” it was to pay back a larger amount. They are very deceptive to those in need and they do prey on the destitute. They know they are a last desperate resort and take advantage of that.

– church member in Texas

My 50 year old brother is cognitively impaired, but stable enough to remain on his own. He doesn’t understand legal details. He was able to make a payday loan over the phone, sight unseen, for more than $1300 – one month of his Social Security structured payment. He was also into his bank who also charged an exorbitant rate for cash advances. I was appointed his Social Security rep payee to manage his finances and get him living within a budget. When I took over, he was $2000 in debt… The loan hampered his ability to function on a monthly basis – he did not have the means to pay back the loan – He borrowed from Peter to pay Paul and the debt just kept mounting. The loan hampered his ability to maintain his food/shelter and utility bills. [Policymakers in Washington should] take the legality away from these criminals. They are truly wolves in sheep’s clothing.

– church member in Texas

Virginia

“Low and very low income persons (one was a family member) could not pay for critical necessities (rent and medical care) and started using payday and car title loan services. When the persons could no longer pay the layers of loans that they took out to keep up with loan payments, a car was repossessed and one of the persons became homeless (could not pay rent)… I have never heard of even one single positive result from people using payday and car title loan services. These kinds of businesses are guilty of “usury”, are an abomination, and are vultures that prey on the most vulnerable.”

– pastor in Virginia

Washington, DC

“One lady, a graduate of Howard University Divinity School needed money and took out a car title loan. This resulted in her car being repossessed. She ended up further in debt.”

– pastor in Washington, DC

Faith for **Just Lending**

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