

Faith Community Fights for Payday Lending Reform

If you live in one of the [36 states](#) that allow payday, auto title lending or both, you've likely seen the storefronts.

They promise quick cash, no credit check required. They're likely located in the poorer part of town next to pawnshops, liquor stores, lottery retailers and rent-to-own furniture or tires.

Those who've never had to use them might have a vague notion that they are some kind of rip-off, but no idea [how they work](#) or their particular model of exploitation.

The product and problem boil down to one word - usury; it's an ancient and biblical concept that warned against the harm of charging excessive interest, particularly to the poor, desperate or vulnerable.

Strong laws prohibiting usury made their way into many U.S. state constitutions and mostly held firm until very recently.

The modern payday and auto title lending industry did not spring up until the early 1990s as check cashers and pawnbrokers found ways around, or gained affirmative exceptions to, state usury caps.

The result is a typical interest rate of 300 to 700 percent APR (actual percentage rate).

In real numbers, a church in San Antonio helped get a family out of debt that started as a \$700 loan but ended up costing more than \$3,300 dollars in less than five months.

A typical \$300 loan often ends up costing borrowers more than \$800 in a few

months.

The legal mechanism may be different in different states, yet the product is remarkably similar across the country. The goal is to entice a borrower into a loan they won't be able to repay as advertised.

It is much more likely, and the lender prefers, that they will be snared in a cycle of debt by either paying only fees and interest to buy more time to repay the whole thing in one lump sum, or by paying the loan off only to return again before the next payday due to the resulting hole in their budget. This is the most profitable scenario for the lender.

As long as payday and auto title lending have been legal, victims of this scheme have turned to churches, ministries and social service providers for help.

That's why it has been the faith community that has been at the heart of calls for reform from the beginning. The practice is just plain wrong, immoral, and they've seen the consequences.

At the local, state and [federal](#) level, people of faith - of very different faiths and often of very different political ideologies - have stepped up and fought together for reform.

In recent years, more than 45 cities in Texas have passed [local ordinances](#) doing all they can in their power to limit the abuses of this industry. In November, South Dakota residents [approved](#) a ballot measure ensuring a 36 percent interest cap statewide.

Federally, the [Consumer Financial Protection Bureau](#) (CFPB), established in the wake of the 2008 financial crises, has been given specific nationwide oversight for this industry for the first time.

In June 2016, they proposed a [rule](#) that seeks to ensure lenders are determining a borrower's ability to repay, not their ability to get stuck in a cycle of debt. They received more than a million public comments in response.

In June 2017, however, the U.S. House of Representatives passed a bill called the [Financial CHOICE Act of 2017](#) that would fundamentally gut the CFPB and specifically strip them of their ability to propose and enforce a rule regarding payday lending.

No matter the ultimate fate of the CFPB, people of faith and [national religious organizations](#) will continue to fight for reform.

There are too many families victimized and too many charitable dollars diverted to lenders' pockets when ministries provide assistance to victims.

It is wrong to take advantage of someone when they're at their most vulnerable. We used to understand that as a country, and loan sharking was an illegitimate business operating on the wrong side of the law; now they're publicly traded on Wall Street.

Churches and ministries will continue helping those who turn to them, but they'll also turn to our elected officials and call for a return to moral, responsible lending.

✘ [Stephen K. Reeves](#) is associate coordinator of partnerships and advocacy for the Cooperative Baptist Fellowship. He is an attorney from Austin, Texas, who previously served with the Baptist Joint Committee and the Texas Baptist Christian Life Commission. You can follow him on Twitter [@StephenKReeves](#).

Editor's note: This is the first in a series of articles focused on predatory lending practices within the payday loan industry.