



VOICE OF THE POOR

# Combating Predatory Lending

Deb Zabloudil, Chair

Alternative Lending and Financial Literacy Subcommittee

Tom Mulloy, *National Director of Poverty Programs*

# Opening Prayer

For all who have contracted coronavirus,  
We pray for care and healing.

For those who are particularly vulnerable,  
We pray for safety and protection.

For all who experience fear or anxiety,  
We pray for peace of mind and spirit.

For affected families who are facing difficult  
decisions between food on the table or public  
safety,  
We pray for policies that recognize their  
plight.

For those who do not have adequate health  
insurance,  
We pray that no family will face financial  
burdens alone.

For those who are afraid to access care due to  
immigration status,  
We pray for recognition of the God-given  
dignity of all.

For our brothers and sisters around the world,  
We pray for shared solidarity.

For public officials and decisionmakers,  
We pray for wisdom and guidance.

Father, during this time may your Church be a  
sign of hope, comfort and love to all.

Grant peace.

Grant comfort.

Grant healing.

Be with us, Lord.

*Amen*

# Catholic Social Teaching

## *Catechism of the Catholic Church*

2269. Those whose usurious and avaricious dealings lead to the hunger and death of their brethren in the human family **indirectly commit homicide**, which is imputable to them.

2409. ...any form of unjustly taking and keeping the property of others is against the seventh commandment: thus, deliberate retention of goods lent or of objects lost; business fraud; paying unjust wages; **forcing up prices by taking advantage of the ignorance or hardship of another.**

# Catholic Social Teaching

“Today members of the Society seeking a better world must embrace both charity with justice. . . . Every person deserves to live in dignity, free from the deceptive and unconscionable practices of predatory lenders.”

-SVdP National Council Position Paper, April 2007

“Finance . . . needs to go back to being an instrument directed towards improved wealth creation . . . used in an ethical way so as to create suitable conditions for human development and for the development of peoples. ”

-Pope Emeritus Benedict XVI, [\*Caritas in Veritate\*](#)

# How Payday Lending Works



[www.responsiblelending.org](http://www.responsiblelending.org)

# Payday Lending Reality

- 75% of borrowers are employed; 70% use them to cover everyday expenses
- 94% of loans are taken either immediately after or within a month of the previous loan
- Borrowers are in debt, on average, **7 MONTHS** out of the year
- The typical borrower will pay more in fees than the cost of the original loan.

# Additional Resources

- SVdP National Council Position Paper

[svdpusa.org/members/Programs-Tools/Programs/Voice-of-the-Poor/Position-Papers](http://svdpusa.org/members/Programs-Tools/Programs/Voice-of-the-Poor/Position-Papers)

- USCCB Backgrounder

<http://bit.ly/1y70SWb>

- Pew Charitable Trust Small Dollar Loan Project

[pewtrusts.org/en/projects/small-dollar-loans-research-project](http://pewtrusts.org/en/projects/small-dollar-loans-research-project)

- Center for Responsible Lending

[responsiblelending.org/payday-lending/](http://responsiblelending.org/payday-lending/)

# Case Study: Columbus

- We were rolling out new Microloan program
  - How do we meaningfully do that?
  - How do we educate community on the problem of payday lending in our community?
  - Community Forum on Predatory Lending Model borrowed from another church

*Lesson: Make it meaningful to your community.*



# Community Forum on Predatory Lending

Valuable tool to educate about the problem:

- Who are you going to invite to speak?
- Who will your audience be?
- How will you promote the event?
  
- \* Always, always, *ALWAYS*, include real life stories
- \* Always, always, *ALWAYS* provide opportunities for *ACTION*

# Community Forum on Predatory Lending

- First roll out – The CFPB’s call for open comments from those affected by payday loans.
- Second roll out – need for payday loan reform in Ohio building momentum (2008 law to contain payday lenders made irrelevant & we now had interest rates and fees equal to 591%)
- Third roll out – HB 123, after being stalled in committee for over a year, finally was voted out of the Ohio House for hearings in the Ohio Senate. Time to act!

*Lesson: Tie it to national, state or local activity or legislation*

# Community Forum on Predatory Lending

Provide plenty of...

- Information and Handouts
  - Program with agenda and list of speakers
  - Handouts showing current state of payday lending in Ohio and include information about loan program
  - Letters for participants to sign to local legislators
- Refreshments!

# Advocacy

*Lesson: Define Your Focus*

Time to act on HB 123 and ask our state senators to finally enact a new law to fix the problems in the 2008 law.

**The Buckeye Burden:  
An Analysis of Payday and Car Title Lending in Ohio  
from the Center for Responsible Lending\***

- There are more than 650 storefronts in Ohio that make payday or car title loans, the majority of which (59%) offer both forms of high cost loans.
- Payday and car title loans drain more than \$502 million in predatory loan fees from Ohioans annually, twice as much as what payday loans drained in 2005.
- Larger, longer-term payday and car title loans with triple-digit interest rates further exposed Ohioans to the harms of unaffordable loans secured by the bank accounts and cars.

**HB #123 in Ohio\*\***

House Bill 123, calling for major reform of the payday lending industry in Ohio, passed the Ohio House 69-14 after being held in committee over a year without a hearing along with other roadblocks that prevented a vote until last week. House Bill 123 calls for closing the loophole of the classification under which payday and auto title loan companies operate. The following reforms (along with others not listed below) are also in the bill that applies to payday and auto title loans.

- limiting monthly payments to no more than 5% of the borrower's gross monthly income
- limiting fees to \$20 per month or no more than 5% of the principal up to \$400
- requiring clear disclosures for consumers, and
- caps on interest rates at 28%

**References:**

\* From the Center for Responsible Lending, *The Buckeye Burden: An Analysis of Payday and Car Title Lending in Ohio* - <https://goo.gl/2xSgPM>

\*\* Dayton Daily News, *Major changes to payday lending step closer to coming to Ohio* by Laura A. Bischoff and Ohio CDC Association web site at <http://ohiocdc.org>.

# Community Forum On Predatory Lending



Sponsored by:

Society of St. Vincent de Paul (SVdP)  
St. Paul's SVdP Conference  
Center for Responsible Lending  
Metro Federal Credit Union  
CME Federal Credit Union

Thursday, June 14, 2018  
St. Paul the Apostle Catholic Church  
Westerville OH

7:00 pm

## Predatory Lending in Central Ohio

The Central Ohio community is coming together to host a forum to discuss the issues of predatory lending and its negative effects. Participants will hear from a panel of experts including those with experience in finance, non-profit organizations, government, faith-based communities, and those with first-hand knowledge. The event is meant to help individuals learn about the issues, use their voice, affect change, and identify alternatives and new low interest programs.

Payday loans are meant to help people with an emergency financial need to get to the next payday. However, they have become a usurious system that takes advantage of the poor and perpetuates their debt. With almost 80% of payday loans going to people earning less than \$30,000 a year, it is clear that these loans are going largely to those living below the poverty line. But, instead of assisting those in need out of debt, these lenders take advantage of the people's hardship. The average borrower takes out over ten loans often the last 9 of these are in order to pay off the original one. By then end, the average borrower will borrow \$300, but pay \$630 in fees. This multi-billion dollar industry preys on the plight of the poor, the urgency of their need, and the lack of resources available to them.

Tonight, we will not only learn about the problem of predatory loans but also about our faith based response. This response includes supporting positive changes to policy and the development of an alternative program just starting in Delaware, Fairfield, Franklin, and Ross Counties sponsored by the Society of St. Vincent de Paul. Our expert panel will provide you with action steps to take tonight and to continue with your friends and colleagues when you return home.

## Community Forum Program

### Agenda

Welcome & Opening Prayer – Warren Wright, Moderator, SVdP, President, SVdP Columbus Diocesan Council

Deborah's Story – Story of Predatory Lending

Opening Comments: the scope of the problem in Central Ohio – Jacqueline Gutter, Staff Attorney, Legal Aid Society of Columbus

Predatory Lending in Ohio – Dr. Carl Ruby, Pastor, Central Christian, Springfield; Ohioans for Payday Loan Reform.

The role of the Attorney General's Office – Jeff Loeser: Attorney General's Office/Consumer Protection Section

Angie's Story – Story of Predatory Lending

What's happening with Payday Lending across the US? – Dr. Fadhel Kaboub, Associate Professor of Economics at Denison University

Petition Drive for payday loan reform – Nate Coffman, Executive Director, Ohio CDC Association, Ohioans for Payday Loan Reform

Next steps and the SVdP Microloan Program – Deb Zabloudil, Coordinator SVdP Microloan Program

Questions

**Ohioans for Payday Loan Reform** is a group of like-minded Ohioans from the consumer, veterans, business, and faith communities committed to fighting for reforms to protect borrowers and boost our state's economy. Payday loan reform will save hard-working Ohioans more than \$75 million a year.

# Advocacy

## What Happened Next:

- One month after the forum, there were hearings in the Ohio Senate about HB 123.
- Deb was asked to testify by Nate Coffman, one of the speakers at the Forum.
- Ohio Community Development Corporation helped her write testimony. Told the story of a borrower – changed her name and actually combined the stories of a couple borrowers to make sure she couldn't be identified. (Deb doesn't even know for sure which borrowers are represented)
- Link to testimony: <http://www.ohiochannel.org/video/ohio-senate-finance-committee-6-25-2018> (scroll to Deb Zabloudil (55 :27))



## SUB. H.B. 123: A SUMMARY “FAIRNESS IN LENDING ACT”

### Ensuring Loans are Affordable

- Loans limited to 30-day intervals with a maximum term of 12 months.
- Maximum principal for any loan is \$1,000.
- No loans under 90 days unless the monthly payment (monthly share of principal + fees and interest) is not more than 7% of a borrower's monthly net income or 6% of their monthly gross income.
- Prohibits a borrower from having more than \$2,500 in outstanding principal.

### Reducing the Cost of Loans

- Monthly maintenance fee is the lesser of 10% of the original principal or \$30.
- The cost of a loan (all fees + 28% maximum interest) cannot exceed 60% of the loan's original principal.
- Permits a one-time 2% loan origination fee on loans \$500 or above in principal.
- Interest is calculated each month on the remaining principal.

### Enhancing Consumer Protections

- Closes the CSO loophole.
- All loans under 90 days are mandated to be affordable.
- For loans 91 days or longer (that is, the borrower failed the means test for a shorter term), the lender must provide the borrower with a sample repayment schedule based on affordability.
- Extends the 24-hour rescission period from House version to 72 hours.
- Retains the House prohibition on title loans, balloon payments, and interest-only loans.
- Limits optional on-site check cashing fees for the loan to a maximum of \$10.
- Retains House requirement that all payments be substantially equal.
- Clarifies that a third party may pay off part or all of a borrower's loan.
- Prohibits harassing phone calls from lenders.
- Requires the lender to provide information to the borrower both orally and in writing.

Last Updated: July 9, 2018



# Call to Action

- What are some of the issues that friends in need face in your community?
- What do they think are their most pressing needs?
- What are the policy solutions that address these issues? What advocacy opportunities exist at your statehouse?

# Closing Prayer

## Prayer for Justice

Grant us, Lord God, a vision of your world as your love would have it:  
a world where the weak are protected, and none go hungry or poor;  
a world where the riches of creation are shared, and everyone can enjoy  
them;  
a world where different races and cultures live in harmony and mutual  
respect;  
a world where peace is built with justice, and justice is guided by love.  
Give us the inspiration and courage to build it, through Jesus Christ our  
Lord.

*Amen*

<https://www.xavier.edu/jesuitresource/online-resources/prayer-index/justice-prayers>

# Stay Active and Stay Tuned!

Sign up for action alerts: [voterveice.net/SVDPUSA/Register](http://voterveice.net/SVDPUSA/Register)

Download toolkit and other resources: [svdpusa.org/vop-tools](http://svdpusa.org/vop-tools)

Check out upcoming webinars every  
Third Thursday at 3:00 PM ET

Register in the E-gazette

Questions? Ideas?

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