MICAH CUSH RIC SOPHIA JOSHUA ESTHER JONAH NAOMI RUTH MOSES
Milwaukee Kenosha Racine Waukesha Green Bay Fox Valley Eau Claire Wausau Manitowoc Madison
Linking faith communities across Wisconsin to work for Justice

WISDOM

Phone: 414-831-2070 **Email:** wisdomforjustice@gmail.com
Address: 2821 N. 4th Street, Suite 217, Milwaukee, WI 53212

FOR IMMEDIATE RELEASE
July 26, 2017
Contact: Dawn Ankney, Organizer, PayDay Lending Campaign, WISDOM
cushorganizer@gmail.com, 262-705-4678

Banks + Payday Lending = Debt Trap

Wisconsin consumers at risk of debt traps sprung by their own banks

If they get what they want, banks in Wisconsin and across the country will be free to make triple-digit interest debt trap loans just like payday loans. The American Bankers Association has asked federal bank regulators, including the Office of the Comptroller of the Currency (OCC) and the FDIC, to repeal rules that led several banks to stop making payday loans to their customers in 2013. At the same time, as the Consumer Financial Protection Bureau (CFPB) continues its work on a rule to stop the payday loan trap, including bank payday loans, bankers are eager to block that future rule too. Both storefront payday loans and bank payday loans trap borrowers in long-term, high-cost debt.

A report released today by the national non-profit Center for Responsible Lending (CRL), *"Been There; Done That,"* outlines the threat to consumers. Before 2013, a few banks were stripping $500 million annually from their own customers through these debt trap loans. Those banks include Wells Fargo, US Bank, Regions Bank, Fifth Third Bank, Bank of Oklahoma and GuarantyBank.

According to WisconsinWatch.org, In 2015, the average annual interest rate on payday loans in Wisconsin was nearly four times as high: 565 percent, according the state Department of Financial Institutions. A consumer borrowing $400 at that rate would pay $556 in interest alone over about three months. There could also be additional fees.

Payday loans are marketed as quick fixes to financial emergencies, but research shows that repeat borrowing drives the payday lending business model. CRL documented that the median bank payday borrower had 13.5 loans per year and was in debt at least part of six months annually. And in 2013, the CFPB found that borrowers spent an average of 114 days during the year in triple-digit debt. The CFPB also found that over half of borrowers had more than ten loans annually, and 12% had more than 30 loans annually. Borrowers regularly report difficulty paying living expenses, delinquency on credit card and other debt, delayed medical care, overdraft fees, loss of checking accounts and bankruptcy.

Rev. Kathleen Gloff, president of Congregations United to Serve Humanity, a nonpartisan, interfaith, social justice affiliate of the statewide WISDOM network, says, "As people of faith we believe it is a society's moral duty to protect its most vulnerable members from exploitation. The Jewish and Christian Scriptures are full of imperatives on how not to abuse the poor, including rules about vineyards and fields not being stripped clean so that those who have fallen upon hard times may have a chance at sustenance. In charging triple digit interest, predatory lending practices "strip clean" the poor, so that there is no chance at escaping the cycles of poverty that frequently begin as a desperate reaction to one unexpected medical bill or one unpreventable misfortune. Our equitable treatment of the most vulnerable among us is a fundamental moral issue. We condemn the usury of vulnerable populations that funds the corporate greed of predatory lending."

The guidance by the OCC and FDIC and the pending rule by the CFPB are based on the commonsense principle that lenders should assess the ability of their borrowers to afford the loan before making it. A proposal to accomplish this by limiting the loan payment to 5% of the borrower's income would not protect consumers because it does not take the borrower's expenses into account in determining affordability.

The OCC and the FDIC should keep the guidance in place, and the CFPB should issue a strong payday lending rule, without exceptions to this ability to repay requirement, as soon as possible. These protections help keep banks and other predatory lenders from making unaffordable loans. Banks should stay out of the predatory payday lending business and instead support measures that reform payday lending in Wisconsin, and that support other ways to invest in communities that build wealth rather than strip it away.

###