

AN EXPERIENCE WITH PAYDAY LOANS AT NORTHEAST BAPTIST CHURCH, SAN ANTONIO

About a year ago a couple joined our church. With six kids, a dependent mother-in-law, and one income, they were understandably financially fragile. The church gave them some financial assistance not long after they joined.

Six months later, they requested more financial assistance from the church. At present, the policies of our church provide that we do not require much from the individual church member-with-a-need other than to answer a few questions regarding the need and how it came to exist. If requests are made a second time, however, we require that those with the need meet with another member of our church who can assist them in developing a household budget and who can provide a measure of accountability with regard to living within that budget. The needy family in question willingly met with our Vice Chairman of Deacons and his wife.

In the course of developing the household budget, our deacon discovered that the family would be able to live within their means except for one item of debt that was dragging them down . . . a \$700 payday loan they had taken out roughly four months earlier to help with a rent payment on their home. The terms of the loan: \$200 every two weeks was automatically deducted from the husband's paycheck. This \$200 did not reduce the original amount of the loan. It merely allowed for the \$700 principal to roll-over until the next pay-period. In the course of the four months the family had maintained this loan, they had rolled the principle over 9 times – at a cost of \$1,800. (Had they continued to pay on the loan for a year, they would have paid \$5,200, for an APR of over 740%!) Now, as they approached the church again for help, they needed help to pay their rent or face eviction.

The financial assistance that the church is able to provide for any family is limited. In order to help this particular family meet their financial obligations for the month and get them out from under the loan that would have kept them perpetually struggling (and us or others perpetually trying to help), we needed nearly \$1,500. The loan accounted for half of that amount when the principal and associated fees were factored together. This certainly exceeded the usual amount the church was prepared to pay, but through the generosity of several church members, and even one non-church member, the money was raised.

It was then that we hit an unexpected speed bump – it took us three days to 1) determine exactly where the loan should be paid, and 2) discover a means acceptable to the company for paying off the loan (our offers of a check and an initial credit card were rejected). The system was certainly not set up to make it easy to pay off the loan. By the time we had located the company, talked with a representative who could authorize this pay-off, and agreed how the loan was to be paid, we had accrued nearly \$100 worth of additional fees.

Being out from under the payday loan, and with some basic education on how to handle money and some accountability on their budget, I am pleased to say that the family has successfully lived within its means for the last three months.

REFLECTIONS FROM THE PASTOR'S DESK:

As a pastor, I've reflected on my own particular encounter with the payday loans, and with payday loans in general so that our church could understand the moral and theological motivation we have to oppose the continuation of these unregulated practices. There is, quite naturally I think, the sheer shock and outrage a person feels that any group could legally arrange or issue a line of credit with terms that amounted to upwards of 740% interest. My outrage only increased when I discovered that the only way someone could offer such a line of credit was to do so under the guise of a Credit Service Organization (CSO) which, by definition, exists to help people. That 740% interest could ever be considered helpful seems ludicrous to me. As my own experience has proved, what is helpful to families with damaged

credit and few financial resources is not an available line of credit with usurious interest, but education and accountability.

But I have discovered something else as I reflected on these types of loans. I have discovered that the more I tell the story, the more 740% interest becomes just another number. It eventually loses all shock value and any moral connotation, and, to be honest, any argument that rests solely on its shock value is a very shallow argument. Several resources have helped me dig a deeper foundation for my own position on the issue. One is the Christian Scripture. Both Old Testament and New are clear that justice for the poor is an extremely meaningful issue to God. To “oppress the poor” and “crush the needy” (Amos 4:1) is given one name – evil. A line of credit with usurious interest targeting the financially fragile certainly qualifies as oppressing the poor and crushing the needy.

But a second resource in understanding this position is to follow the logical outcomes of viewing such practices as helpful and good. By such reasoning, we find ourselves in a surreal world of absurd values. Consider that if taking such a loan is helpful or good, then we must immediately admit that these CSOs are operating under an unfair market advantage since our banks, credit unions, and other loan providers are unable to offer such good and helpful products. Were we to admit that such products are good for our citizens and for ourselves, then we must remove the constitutional limit of 10% interest and open the regulatory doors for our banks to offer such helpful products. After all, which of us, by this reasoning, would not want easier access to such a good thing? Just imagine the good that could be done if every bank and credit union could offer us 700% car and home loans! Indeed, the State of Texas is currently in a financially difficult situation. No doubt the state would benefit from taking loans from its citizens in the form of bonds guaranteed at 700%. As a civic duty, I would like to be the first to buy some. But if this seems ridiculous, and it is, and if such bonds would obviously be bad for the state of Texas, and they are, then we must be ready to admit they are bad for individual citizens, too. Our citizens should be afforded some protection from such harmful practices.

Of course, one objection to regulating such practices is that the market within which they operate will condense and some people may lose jobs in order to keep the corporations profitable. Job loss is certainly not a good thing. But if the good of creating and maintaining jobs outweighs our consideration for the fairness of the practices those jobs support, then I fear that we find ourselves again in the position of the absurd. If we cannot regulate these practices because the creation and preservation of jobs is more important than protecting the most vulnerable of our citizens, then we must question some of our other existing regulations. Consider, for instance, our strenuous regulation against the manufacture, transport, and sale of illicit drugs. Such regulation is clearly oppressive, and, no doubt, it hurts those involved in such activities. If our consideration for job creation and preservation is our foremost concern, then we must face the fact that we are robbing drug dealers of their fairly-earned, market-driven livelihoods. Imagine how many jobs we could create with less strenuous regulation! Consider also how the regulation of prostitution is hurting the bottom-lines of pimps throughout our state. The exploitation of women and the sex trade of underage girls aside, the state’s regulation of prostitution is hurting jobs. If job creation, growth, and preservation outweigh the moral nature of the practices those jobs support, then ultimately, we are robbed of any moral foothold to oppose such practices. There is no end to the types of practices we might unleash upon the citizens of our state if we followed such reasoning. It is absurd.

But clearly we are against these and other hurtful practices, and our citizens have been afforded some protection from them. If the shock of a 740% APR loan is not enough to bring payday and auto-title loans under existing regulation, then perhaps an appeal to moral conviction, consistent reasoning, justice may help. It is for these reasons that I support SB 253 to close the loophole that allows such usurious practices to continue in Texas.

Respectfully submitted,
Dr. Chad R. Chaddick
Pastor
Northeast Baptist Church, San Antonio