

# Daybreak in Alabama



*The Power of*

*We*

**PREDATORY LENDING**

**Moderator's Guide**

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# **Moderator's Guide Predatory Lending**

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## **1.0 Preface**

Many in the public sector see our constitution as needing reform based on moral grounds, inefficiencies and impedances to effective government. The faith community has an interest and indeed a responsibility relative to this topic, particularly with factors that impinge on concepts of justice.

## **2.0 Objectives**

1. In our purpose statement we quoted J Phillip Wogaman: "Every Christian perspective must somehow come to terms with the notion that the world of politics is a place of encounter between humanity and God". Believing this to be the case, our first objective is to challenge and equip members of the faith community to participate fully in this encounter.
2. Our second objective is to provide a format for engaging a topic that enables the participants to explore the full range of solutions, discover the underlying values associated with the potential solutions, and deliberate with others to find common themes for action.
3. As a third objective, the results of the decision making practice should result in developing some common themes for action. Common in the sense that action can be taken as a group as well as individuals. The common themes for action can be advanced through the following steps to ultimately effect improvements in the constitution;
  - » Present recommendations to our church governing body for approval
  - » Discuss recommended changes with our state legislators prior to the next legislative session.

## **3.0 Approaches and Choices**

This study guide is based on the use of deliberative decision making and compared with debate and dialogue – see chart below. Thus an issue map depicting the major solutions being expressed in the public conversation is used to frame the topic and guide the discussion. Of course other choices may be framed during the deliberation sessions. (See Sidebar 1: Approaches and Choices)

If you're preparing to moderate an Interfaith Mission Service cooperative issue study, then you should become familiar with the structure of deliberative dialogue that Interfaith Mission Service supports. Study guides, starter tapes, and deliberative forums focus on approaches, also called "choices" or "options" in the Interfaith Mission Service material.

Each approach represents a distinctively different way of approaching a topic, with its own set of benefits, drawbacks, and trade-offs. Each is evaluated in accordance with moral and ethical values of the faith-based group engaged in the study.

This structure undergirds the basic premise of public deliberation – that citizens in a democracy have a responsibility, and need opportunities, to make choices about how they want to live together, how they want to act together, and how they want their government to function.

Sometimes, study participants find these uses of the word *choice* confusing. Some assume that they are being asked to choose one of the approaches. And, of course, they are not. Furthermore, the deliberation should proceed based on the presumptions of the individuals' faith perspectives derived from the beliefs, doctrine, teachings, traditions, and experience of their denomination or religion.

Many moderators find it helpful to clarify, at the beginning of the study, that the work of the study group is to weigh each approach, to "work through" consequences and trade-offs, and to form a shared sense of what's at stake in the issue.

#### **4.0 Guidelines for the Moderator**

You don't have to be an expert on the issue. Reading the issue book thoroughly, considering questions that get to the heart of the issue, and thinking through the essence of each approach is the critical part of preparation.

##### **1. Stay focused on what the forum is about - deliberation.**

Your natural curiosity and your interest in understanding diverse views will be your greatest assets; they're probably what got you here in the first place. So use them to ask questions that probe the underlying motivations of each approach, the tradeoffs it might require, and the willingness of the participants to recognize them.

##### **2. Keep the discussion moving and focused on the issue.**

No matter the level of experience, most moderators find timekeeping to be a challenge. National Issues Forums examine complicated issues, worthy of deep

discussion. Sometimes it's hard to move on to another approach with so much more that could be said. But, in order to deliberate — to really make progress on the issue — participants need the opportunity to weigh all the major approaches.

### **3. Reserve ample time for reflections on the forum.**

Between allowing time for participants to lay out their personal concerns about the issue at the beginning of the forum and the demanding work of deliberating in depth on each of the approaches, it's easy to find yourself at the end of the forum with little time left to reflect on what's been said. But, in many ways, this is the most important work the group will do — if they have time to do it. Explain clearly at the outset that it is important to reserve this time, and then enlist the participants' support in working with you to preserve it.

### **4. Your Role as a Moderator:**

- to provide an overview of the process of deliberation – the rationale for the kind of work the participants are getting ready to do
- to ask questions that probe deeply into what's at stake in the issue and in each choice
- to encourage participants to direct their responses and questions toward each other
- to remain neutral throughout the discussion, while encouraging participants to explore all facets of their own and others' opinion
- to keep track of the time, so participants can move through a discussion of each of the major approaches and into an ending period of reflections.

## **5.0 Format for the Forum**

The format and agenda of each forum is determined by the complexity and interest in the issues related to the subject. In most cases; however, the subject matter is sufficiently complex to require multiple sessions to allow participants greater opportunities to examine issues in depth. In general, the forums are designed for use in a Sunday school or small group setting and include: an introductory session to define the topic of the study and provide background material contributing to identification of the issue; two or more sessions to consideration of the approaches to understanding the issues; and a final session to determine any recommendations or actions to bring the issue to consideration in the public square.

Some communities begin their examination of an issue in a large group forum and then break off into smaller groups for subsequent sessions. The reverse can also be helpful – starting in smaller groups and culminating in a larger community forum.

Interfaith Mission Service studies are about encouraging deliberation of issues debated in the public square based on the individuals' faith perspectives. The needs of your community will drive the schedule in which deliberation can best occur.



## **6.0 Guidelines for Study Groups**

The moderator will guide the discussion, yet remain neutral. The moderator will make sure that:

- Everyone is encouraged to participate.
- No one or two individuals dominate.
- The discussion will focus on the approaches.
- All major choices or positions on the issue are considered.
- An atmosphere for discussion and analysis of the alternatives is maintained.
- We listen to each other.

## **7.0 Importance of Questionnaires**

Questionnaires play an important role in your local studies and in the Interfaith Mission Service cooperative. Filled out after the deliberations, they serve multiple purposes. They give participants an opportunity to reconsider their views in light of the experience they have just had. And, they give an opportunity to add to what was said or heard in the study group.

The questionnaires also serve a role outside the study group. As a means of capturing what happened in the deliberations, they provide information that can be used to communicate participants' views to others – to office holders, to the media, and to other citizens.

So it is very important that you, as the study moderator, take a few minutes to gather and return the questionnaires to the IMF. Also, please include the Moderator Response sheet included in this guide with your contact information so that follow-up is possible. (See Sidebar 2: Moderator Response Form.)

Return the completed questionnaires to:

Chuck Vedane  
1001 Myra Vista Drive  
Huntsville, Alabama 35802

or

[vedane@comcast.net](mailto:vedane@comcast.net)

## **8.0 Questions to Promote Deliberation of the Issue**

Participants in the deliberations will consider (number) perspectives on (Issue name). Since each approach is based on a different view of the problem, each offers a distinctive approach to policy-making. In dealing with this issue, Alabamans have to face tough questions and deep differences.

Only public deliberation about our fundamental beliefs and concerns can move us toward common ground for action. Moderators find it helpful to consider ahead of time the basic broad questions about each approach that need to be addressed. Here are some

possibilities:

- What is valuable to us?
- What are the costs or consequences associated with the various approaches?
- What are the tensions or conflicts in this issue that we have to work through?

### **Choice One: Keep Status Quo**

Keep current regulatory guidance of the industry as it is. There is a great need for emergency lending. There is no harm in businesses making a profit, as a community service is provided. Permit capitalistic free market to thrive or fail.

### **Choice Two: Seek Targeted Changes through the AL Legislature**

Seek changes via the state legislature, to reform unjust features of the predatory lending industry. Enforce state's applicable usury laws.

### **Choice Three: Create Alternative Lending Sources**

Create alternative lending sources that employ lending practices that reflect those of banks, credit unions, etc. to meet the market need.

### **Choice Four: Provide educational support to Alabama citizens.**

Provide consumer financial education leading to improved financial management.

## **9.0 Tools and Reference Materials**

Following are the tools to be used during the course of the study. The moderator should copy these tools and adjust (if necessary to fit his/her situation).

### **9.1 Pre/Post Questionnaire**

The group members should complete the Pre/Post Questionnaire. The purpose is to first benchmark the knowledge that the participants have about the subject at the beginning of the sessions and then ask the same questions at the end of the study. In all probability all of the participants will not attend all of the sessions, so it is not necessary for anyone to sign the questionnaire. It is hoped that with an aggregate of questionnaires some measurements can be detected. (See Sidebar 3: PREDATORY LENDING – PRE/POST-DELIBERATION QUESTIONNAIRE)

### **9.2 Developing Common Themes for Action Form (See Sidebar 4)**

Having discussed,

1. Why reforming our state constitution is a topic of conversation in the public square

2. A statement relating church teaching to this topic and
  3. Deliberated various choices, presented in the issue map, for responding to the concerns expressed in the conversation, our next step is to craft some conclusions in the form of actions that can be taken. One of the conclusions will be recommendations we desire to present at the next meeting of the church governing body.
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### **9.3. Moderator Response Form (See Sidebar 2)**

## **10.0 Frequently Asked Questions**

### **10.1 How is the separation of church and state maintained when the church involves itself in political issues that result in social injustice?**

#### **Politics and the Pulpit:**

#### **A Guide to the Internal Revenue Code Restrictions on the Political Activity of Religious Organizations**

During every election cycle, many religious congregations find themselves wondering what role, if any; they can play in the political process. Can a minister, rabbi, imam or other member of the clergy endorse a candidate from the pulpit or speak on issues of interest to voters? Is a church or other house of worship legally permitted to register voters or issue voter guides? Answers to these and many other questions are contained in *Politics and the Pulpit: A Guide to the Internal Revenue Restrictions on the Political Activity of Religious Organizations*. *Politics and the Pulpit* sets out in plain English the rules governing political activity that apply to non-profit organizations (including churches and other religious groups) that are exempt from taxation under section 501 (c) (3) of the Internal Revenue Code. The report was written by Deirdre Dessingue, Associate General Counsel of the United States Conference of Catholic Bishops. Ms. Dessingue is a leading expert on the taxation of religious organizations, and she has written a straightforward and practical guide to the law on these matters. The report also has been vetted by a number of other prominent legal experts in this field.

The current rules have been in place since 1954, when Congress amended the Internal Revenue Code to impose limits on the political activities of religious and certain other tax-exempt, non-profit organizations. In recent years, some have voiced strong opposition to these limits, especially for religious groups, arguing that they amount to an unfair abridgement of free speech. Others, including some religious leaders, have vigorously defended the rules, asserting that they correctly prevent churches from getting too deeply involved in partisan politics.

The Pew Forum on Religion & Public Life takes no position in this debate. Instead, the Forum commissioned this publication in order to inform religious groups and others on the provisions and meaning of the law as it is currently written. *Politics and the Pulpit* fits perfectly into the Forum's overall mission, which is to act as a clearinghouse of impartial information as well as a non-partisan facilitator of discussions on issues at the intersection of religion and public affairs. *Politics and the Pulpit* are published with the

understanding that the Forum is not engaged in rendering legal, accounting or other professional advice. If legal advice or other professional assistance is required, the services of a qualified professional should be sought.

Luis Lugo  
Director  
Pew Forum on Religion & Public Life

Must religious organizations restrict their discussion of issues during election campaign periods?

No. The political activity prohibition does not restrict issue discussions that are not linked to support for or opposition to candidates.

Are religious organizations permitted to engage in lobbying activities?

Yes. The political activity prohibition does not apply to the lobbying activities of religious organizations, although the lobbying activities of all 501(c)(3) organizations are limited under the Internal Revenue Code. Specifically, if a religious organization engages in lobbying, its lobbying activities (as measured by time, effort, expenditures and other relevant factors) may not constitute more than an insubstantial part of the organization's total activities during a particular year.

What are the consequences if a religious organization engages in excessive lobbying?

If a religious organization's lobbying activities constitute more than an insubstantial part of its total activities, the organization's section 501(c)(3) tax exempt status may be revoked, which means that its income for the year would become subject to income tax.

## **10.2 Why should my church be speaking out on reform of the Alabama Constitution?**

### **10.2.1 United Methodist Church - *Excerpts From the United Methodist Church Book of Discipline***

**10.2.1.1 Doctrinal Standards and our Theological Task** - United Methodists profess the historic Christian faith in God, incarnate in Jesus Christ for our salvation and ever at work in human history in the Holy Spirit. Living in a covenant of grace under the Lordship of Jesus Christ, we participate in the first fruits of God's coming reign and pray in hope for its full realization on earth as in heaven.

Our heritage in doctrine and our present theological task focus upon a renewed grasp of the sovereignty of God and of God's love in Christ amid the continuing crises of human existence.

#### **10.2.1.2 General Rules and Social Principles**

The Social Principles (§§ 160-166) provide our most recent official summary of stated

convictions that seek to apply the Christian vision of righteousness to social, economic, and political issues. Our historic opposition to evils such as smuggling, inhumane prison conditions, slavery, drunkenness, and child labor was founded upon a vivid sense of God's wrath against human injustice and wastage.

Our struggles for human dignity and social reform have been a response to God's demand for love, mercy, and justice in the light of the Kingdom. We proclaim no personal gospel that fails to express itself in relevant social concerns; we proclaim no social gospel that does not include the personal transformation of sinners.

It is our conviction that the good news of the Kingdom must judge, redeem, and reform the sinful social structures of our time.

*The Book of Discipline* and the General Rules convey the expectation of discipline within the experience of individuals and the life of the Church. Such discipline assumes accountability to the community of faith by those who claim that community's support.

Support without accountability promotes moral weakness; accountability without support is a form of cruelty.

A church that rushes to punishment is not open to God's mercy, but a church lacking the courage to act decisively on personal and social issues loses its claim to moral authority. The church exercises its discipline as a community through which God continues to "reconcile the world to himself."

#### **10.2.1.3 104. SECTION 4—OUR THEOLOGICAL TASK**

Our theological task is both critical and constructive. It is critical in that we test various expressions of faith by asking: Are they true? Appropriate? Clear? Cogent? Credible? Are they based on love? Do they provide the Church and its members with a witness that is faithful to the gospel as reflected in our living heritage and that is authentic and convincing in the light of human experience and the present state of human knowledge?

Our theological task is constructive in that every generation must appropriate creatively the wisdom of the past and seek God in their midst in order to think afresh about God, revelation, sin, redemption, worship, the church, freedom, justice, moral responsibility, and other significant theological concerns. Our summons is to understand and receive the gospel promises in our troubled and uncertain times.

**10.2.1.4 Tradition** - The theological task does not start anew in each age or each person. Christianity does not leap from New Testament times to the present as though nothing were to be learned from that great cloud of witnesses in between. For centuries Christians have sought to interpret the truth of the gospel for their time.

In these attempts, tradition, understood both in terms of process and form, has played an important role. The passing on and receiving of the gospel among persons, regions, and generations constitutes a dynamic element of Christian history. The formulations and practices that grew out of specific circumstances constitute the legacy of the corporate experience of earlier Christian communities.

These traditions are found in many cultures around the globe. But, the history of Christianity includes a mixture of ignorance, misguided zeal, and sin. Scripture remains the norm by which all traditions are judged.

The story of the church reflects the most basic sense of tradition, the continuing activity of God's Spirit transforming human life. Tradition is the history of that continuing environment of grace in and by which all Christians live, God's self-giving love in Jesus Christ. As such, tradition transcends the story of particular traditions.

In this deeper sense of tradition, all Christians share a common history. Within that history, Christian tradition precedes Scripture, and yet Scripture comes to be the focal expression of the tradition. As United Methodists, we pursue our theological task in openness to the richness of both the form and power of tradition. The multiplicity of traditions furnishes a richly varied source for theological reflection and construction. For United Methodists, certain strands of tradition have special importance as the historic foundation of our doctrinal heritage and the distinctive expressions of our communal existence.

We are now challenged by traditions from around the world that accent dimensions of Christian understanding that grow out of the sufferings and victories of the downtrodden. These traditions help us rediscover the biblical witness to God's special commitment to the poor, the disabled, the imprisoned, the oppressed, and the outcast. In these persons, we encounter the living presence of Jesus Christ. These traditions underscore the equality of all persons in Jesus Christ. They display the capacity of the gospel to free us to embrace the diversity of human cultures and appreciate their values. They reinforce our traditional understanding of the inseparability of personal salvation and social justice. They deepen our commitment to global peace. A critical appreciation of these traditions can compel us to think about God in new ways, enlarge our vision of shalom, and enhance our confidence in God's provident love.

Tradition acts as a measure of validity and propriety for a community's faith insofar as it represents a consensus of faith. The various traditions that presently make claims upon us may contain conflicting images and insights of truth and validity. We examine such conflicts in light of Scripture, reflecting critically upon the doctrinal stance of our Church.

It is by the discerning use of our standards and in openness to emerging forms of Christian identity that we attempt to maintain fidelity to the apostolic faith. At the same time, we continue to draw on the broader Christian tradition as an expression of the history of divine grace within which Christians are able to recognize and welcome one another in love.

#### **10.2.1.5 Our Social Principles - The Political Community: B) Political**

**Responsibility** – The strength of a political system depends upon the full and willing participation of its citizens. The church should continually exert a strong ethical influence upon the state, supporting policies and programs deemed to be just, and opposing policies and programs that are unjust.

#### **10.2.1.6 Our Social Creed: Current**

- We believe in God, Creator of the world; and in Jesus Christ, the Redeemer of Creation.
- We believe in the Holy Spirit, through whom we acknowledge God's gifts, and we repent of our sin in misusing these gifts to idolatrous ends.

- We affirm the natural world as God’s handiwork and dedicate ourselves to its preservation, enhancement, and faithful use by humankind.
- We joyfully receive for ourselves and others, the blessings of community, sexuality, marriage, and the family.

We commit ourselves to the rights of men, women, children, youth, young adults, the aging, and people with disabilities; to improvement of the quality of life; and to the rights and dignity of all persons.

We believe in the right and duty of persons to work for the glory of God and the good of themselves and others and in the protection of their welfare in so doing; in the rights to property as a trust from God, collective bargaining, and responsible consumption; and in the elimination of economic and social distress.

We dedicate ourselves to the peace throughout the world, to the rule of justice and law among nations, and to individual freedom for all people of the world.

We believe in the present and final triumph of God’s Word in human affairs and gladly accept our commission to manifest the life of the gospel in the world.

**Amen.**

**¶ 124. Our Mission in the World**—God’s self-revelation in the life, death, and resurrection of Jesus Christ summons the church to ministry in the world through witness by word and deed in light of the church’s mission. The visible church of Christ as a faithful community of persons affirms the worth of all humanity and the value of interrelationship in all of God’s creation.

In the midst of a sinful world, through the grace of God, we are brought to repentance and faith in Jesus Christ. We become aware of the presence and life-giving power of God’s Holy Spirit. We live in confident expectation of the ultimate fulfillment of God’s purpose.

We are called together for worship and fellowship and for the up building of the Christian community. We advocate and work for the unity of the Christian church. We call all persons into discipleship under the Lordship of Jesus Christ.

As servants of Christ we are sent into the world to engage in the struggle for justice and reconciliation. We seek to reveal the love of God for men, women, and children of all ethnic, racial, cultural, and national backgrounds and to demonstrate the healing power of the gospel with those who suffer.

### **10.2.2 Catholic**

### **10.2.3 Baptist**

### **10.2.4 Episcopalian**

### **10.2.5 Presbyterian**

(See Sidebar 5 Nine Signs of a Predatory Loan)

Sidebar 1

APPROACHES AND CHOICES

<b>Debate</b>	<b>Dialogue</b>	<b>Deliberations</b>
Contest/compete	Explore/exchange	Choose/weigh
Argue	Discuss	Decide
Promote opinion	Build relationships	Make decisions
Persuade	Understand	Understand
Seek majority	Seek understanding	Seek overlap
Dig-in	Reach across	Seek common ground
Tightly structured	Loosely structured	Framed to make choices
Express	Listen	Listen
Usually fast	Usually slow	Usually slow
Clarifies	Clarifies	Clarifies
Majoritarian	Non-decisive	Complementary



Sidebar 2

MODERATOR RESPONSE FORM

**Moderator's Name and faith affiliation** \_\_\_\_\_

**Phone:** \_\_\_\_\_

Briefly describe the makeup of the participant group, including diversity, age and number of participants.

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What elements of this issue seemed most difficult to the participants?

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What common concerns were most apparent?

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Were there tradeoffs most participants would accept?

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Were there tradeoffs most participants would not accept?

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Did the group identify shared directions for action?

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Sidebar 3

PREDATORY LENDING – PRE/POST- DELIBERATION QUESTIONNAIRE

1. Alabama Legislators have attempted to eradicate Predatory Lending through the enactment of statewide policies? True – False.
2. Alabama Religious communities (churches) have vigorously and publicly opposed Predatory Lending? True – False.
3. The Public Conversation concerning the Predatory Lending Industry is in the Public Forum because (Pick 3):
  - A. Lending abuse is real today just as it was in Biblical Times.
  - B. A forced low APR for small lenders has a negative impact on Major banks.
  - C. Allowing small lenders to continue high APR's for consumers has a negative impact.
  - D. Lenders help the poor establish good Credit History.
  - E. Alabama could save Payday Lending Customers \$224 million each year.
4. I am concerned that action to regulate the Lending Industry hurts the economy. Not Concerned 1 2 3 4 5 Highly Concerned.
5. I am concerned that the uneducated, under-educated and the poor are being exploited. Not Concerned 1 2 3 4 5 Highly Concerned.
6. I am concerned about the lack of Consumer Financial Management Education in Alabama Schools. Concerned 1 2 3 4 5 Highly Concerned.
7. Alabama is one of the Seventeen States that imposes restrictions on Predatory Lending. True – False.
8. The impact of Predatory Lending extends into the following businesses (Pick 6):
  - A. Home Mortgages.

- B. Public utilities.
  - C. Payday Lending.
  - D. Vehicle Financing.
  - E. Farm Subsidies.
  - F. Vehicle Title Loans
  - G. Refund Anticipation Loans.
  - D. Pawn Shops.
  - E. Rod and Gun Clubs.
9. The Financial Services Industry has spent over \$2 billion to influence law makers not to pass Payday Lending Friendly Legislation. True – False.
  10. The U.S. Congress passed a Federal Law Capping the APR at 36% on loans to the Military. True – False.
  11. My understanding concerning this topic (Predatory Lending) prior to the Public Forum Conversation is: Low 1 2 3 4 5 Adequate to have an opinion.
  12. My understanding concerning this topic (Predatory Lending) after the Public Forum Conversation has: Improved 1 2 3 4 5 Significantly Improved.
  13. I would like to see more Media Coverage throughout the communities concerning the impact of Predatory Lending. Yes – No.
  14. I would like to become more involved in the Public Forum Conversation (Church – Community). Church Yes - No - Community Yes - No.

Sidebar 4

DEVELOPING COMMON THEMES FOR ACTION FORM

**Moderator's Name and faith affiliation** \_\_\_\_\_

**Phone:** \_\_\_\_\_

Recommendations from our group to our congregation's official body (Council, Vestry, Session, etc.)

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Recommendations for individual implementation:

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### NINE SIGNS OF A PREDATORY LOAN

1. **Triple Digit Interest Rate:** Payday loans carry very low risk of loss, but lenders charge fees equal to 400 percent APR and higher.
2. **Short Minimum Loan Term:** Seventy five percent of payday customers are unable to repay their loan within two weeks and are forced to get a loan “Rollover” at additional cost. In North Carolina, the minimum term is six months for a “Small Consumer Loan”.
3. **Single Balloon Payment:** Unlike most consumer loans, Payday Loans do not allow for partial payments during the loan term. Borrower must pay entire loan back at the end of two weeks.
4. **Loan Flipping:** Payday lenders earn most of their profit (90%) by making multiple loans to cash strapped borrowers (extensions, rollovers or back to back transactions).
5. **Simultaneous Borrowing from Multiple Lenders:** Trapped on the “Debt Treadmill”, many customers get a loan from one payday lender to pay another. Result: no additional cash, just more renewal fees.
6. **No Consideration for Borrowers Ability to Pay:** Lenders encourage customers to borrow the maximum allowed, regardless of their credit history then they collect multiple renewal fees.
7. **Deferred Check Mechanism:** Consumers who cannot make good on a deferred (postdated) check covering a payday loan may be assessed multiple late fees and NSF check charges for fear criminal prosecution for writing a bad check.
8. **Mandatory Arbitration Clause:** By eliminating a borrower’s right to sue for abusive lending practices, these clauses work to the benefit of payday lenders over consumers.
9. **No Restrictions on Out-of State Banks Violating Local State Laws:** Federal Banking Laws were not enacted to prevent payday lenders from circumventing state laws.