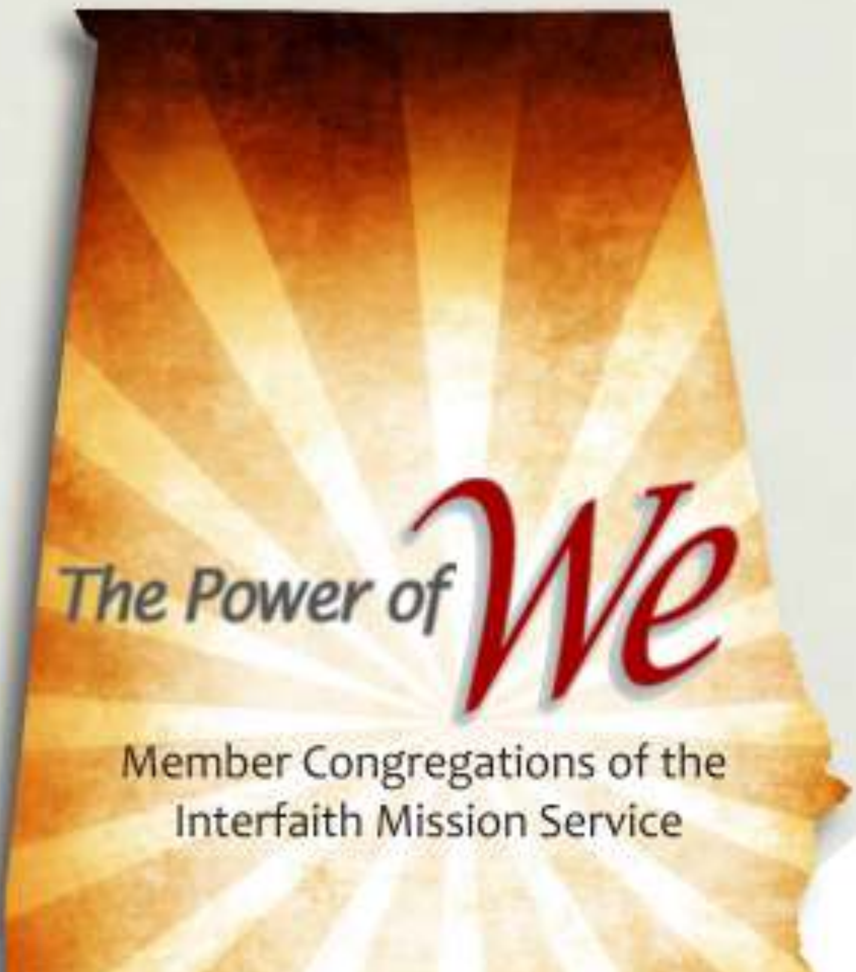
# Daybreak in Alabama

## PREDATORY LENDING

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**STUDY GUIDE**

# PREDATORY LENDING

**INTERFAITH MISSION SERVICE**
**HUNTSVILLE, ALABAMA**

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## PREFACE

This study guide is prepared by an interfaith cooperative in Huntsville, Alabama. The cooperative's members are congregations of the diverse faith traditions in the community. Operationally, the member congregations plan the ministries of the cooperative and use a coordinating congregation concept to implement the plan. Several social justice issues have been identified as topics needing to be addressed within public square conversations.

Trinity United Methodist Church is the coordinating congregation for preparing the study guides to address these topics. Several congregations are involved in providing topic matter specialists and other necessary functions.

The cooperative is incorporated as the Interfaith Mission Service and is a 501 (c) 3 organization. For further information, call 256.536.2401. The email address for the Interfaith Mission Service is ims@interfaithmissionservice.org and the website is www.interfaithmissionservice.org.

## PURPOSE

The purpose of these study guides is to help faith communities challenge and equip their members for participation in public square conversations on chosen topics. These topics are of moral significance that affect the majority of Alabama citizens and will be addressed by our state legislators.

Volumes have been written for and against the faith community involving itself in political matters. The perspective presented by this study guide is that the domains of faith and public life are interrelated. However, as with most interrelated matters there is room for deliberation and discernment. Our objective is to establish a practice – with appropriate process and tools – to enable small groups to explore complex public policy topics and develop common themes for action.

Following are thoughts on the intersection of religious faith and social justice:

> 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. The notion, by itself, can give rise to insufferable arrogance among Christians who are too confident that they alone are sure interpreters of the will of God…But if it is arrogant to claim to know all about God's will for politics, it may be equally so to try to maintain one's moral purity by avoiding politics altogether. Everybody who participates at all in the social world is inescapably involved in politics, for politics draws upon all of us, whether we like it or not. (Wogaman, xxxx, p. xx)

Jewish

Hindi (TBS)

Muslim (TBS)

Buddhist (TBS)

B’nai (TBS)

## PRACTICE TO BE USED

Deliberative Decision Making equips a congregation to participate in public square conversations. It enables congregation members to deliberate among multiple approaches to a solution and arrive at common themes for action. This practice is based on work by the National Issues Forum Institute, the Kettering Foundation, and the David Mathews Center for Civic Life.

This study guide is base on the use of deliberative decision making and compared with debate and dialogue – see Sidebar 1. 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.

Deliberation:

The practice includes four steps:

- **Naming the Topic**
  Includes the name of the topic and an explanation of why this topic is being discussed in the public square.
- **Framing**
  Includes describing multiple approaches for addressing the problems described in the naming step.
- **Deliberating**
  Involves identifying the trade-offs among the multiple approaches and the underlying values.
- **Formulating**
  Includes common themes for action to effect improvements in the public policies governing our civic life. These common themes for action are those decisions made through deliberation for presentation to the Alabama Legislature to encourage corrective measures.

## OBJECTIVES OF OUR DELIBERATION

The objectives of our deliberation are:

1. Believing one “must somehow come to terms with the notion that the world of politics is a place of encounter between humanity and God” (Wogaman, xxxx, p. xx), 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 and work towards decision making.
3. As a third objective, the decision making process should result in developing some common themes for action. Common in the sense that action can be taken as a group as well as an individual.

The common themes for action can be advanced through the following steps to ultimately effect improvements for social justice:

- Present to congregational councils for approval
- Discuss with state legislators prior to the next legislative session.

**PREDATORY LENDING IN ALABAMA**

A five-week study

Week One: INTRODUCTION TO PREDATORY LENDING IN ALABAMA

Week Two: NAMING THE TOPIC and FAITH PERSPECTIVES

Week Two: DELIBERATIVE DISCUSSION USING THE ISSUE MAP

Week Three: DELIBERATIVE DISCUSSIONS CONTINUED

Week Four: DEVELOPING COMMON THEMES FOR ACTION USING DELIBERATIVE DECISION MAKING

Week Five: DEVELOPING COMMON THEMES FOR ACTION USING DILIBERATIVE DECISION MAKING

**NOTES**

## WEEK ONE

### INTRODUCTION TO PREDATORY LENDING

OBJECTIVE: Introduce the topic of Predatory Lending in Alabama and the reason it is being discussed in the public square.

ACTIVITIES:

- Complete Pre-Deliberation questionnaire
- Introduce the topic
- Discuss any questions

### INTRODUCTION:

Predatory lending is the business model designed to keep borrowers in debt, not to provide one-time assistance during a time of emergency. America's working families pay billions of dollars in excessive fees every year. Payday lenders across the nation routinely "flip" short-term small cash advances into long-term, high-cost loans with annual interest rates in the range of 400 percent. Research reveals that there are 28 million unbanked and 44 million under-banked residents nationwide. These individuals are paying about one billion dollars per year in fees to check-cashing stores, pawnshops, and payday lenders.

Aggressive marketing of reckless loans became routine in the subprime market, and too many became destructive for families. Overdraft fees cost consumers $23.7 billion dollars each year in unfair charges. Car title loans work much like payday loans, but put at risk an asset essential to the wellbeing of working families. The following snapshot of Alabama shows the cost to Alabama state residents in the mortgage foreclosure situation, abusive overdraft fees, payday loans, and kickbacks on car purchases.

- Mortgage delinquencies and foreclosures: projected foreclosures from 2009-2010 were 79,605 statewide.
- Lost home equity projections for 2009-2012 is $1.8 billion dollars.
- Overdraft loan costs for all states are $23.7 billion. For Alabama, it is $363.4 million.
- Overcharges for auto loan interest rates overall in Alabama is $310.1 million, with $199.6 million being for used car loans.
- Total payday lending loan volume is $1.5 billion dollars, with $259.5 million dollars fees paid annually. There are approximately 1,163 payday lending stores in Alabama, with an average of 3,643 loans per store, with a maximum APR of a two-week $100 payday loan being 456%. (Center for Responsible Lending)

These predatory lending practices are targeting those most economically vulnerable citizens. Rather than helping borrowers through financial challenges, as they are marketed to do, these lending practices block and destroy access to good credit options. Lenders trap borrowers in high-interest loans, drain their income, damage their credit, and often worsen their financial situation. Although many predatory lending-practices exist, this study will focus on three of the most prevalent: payday loans, car-title loans, and pawnshops.

## WEEK TWO

## NAMING THE TOPIC: THREE FORMS OF PREDATORY LENDING IN ALABAMA

OBJECTIVE: Name the topic and introduce faith perspectives concerning the social justice implications involved.

ACTIVITIES:

- Discuss the Naming the Topic module.
- Discuss the Faith Perspectives module.

### NAMING THE TOPIC:

The objective of this section of the study guide is to name and describe products and services that are used in a predatory manner and thus referred to as predatory loans. In doing so it is evident why this is a topic in the public square.

Alabama's citizens unnecessarily pay over $224 million annually in predatory lending fees to mostly out of state payday companies with local payday lending store front shops positioned primarily in low income and minority communities.

Predatory describes the practice that impacts individuals negatively and creates an immoral environment for the churched and un-churched to get involved. The difference between a good and a bad loan is that in a good loan the lender succeeds when the borrower succeeds. The loan principal is repaid on time and with interest. In a bad loan, the lender benefits from the borrower's misfortune, reaping extra fees through penalties, defaults, and loan rollover.

Predatory lending borrowers pay $4.2 billion in predatory payday lending fees every year and $9.1 billion in predatory mortgage lending fees each year. In the hands of unscrupulous businesses, credit can dig a debt trap that destroys households.

This belongs in the Public Forum discussion because of the negative impact on the present and future credit status of vulnerable AL citizens.

The factors include:

1) Predatory lending inhibits upward mobility and destroys the building of future financial credit history/foundation.

Allowing conditions to remain unchanged is not only tragic, but totally irresponsible and highly immoral.

Responsible leadership must be true to its calling by focusing attention on the concerns of persons and groups most marginalized within our society. A "hands-off-attitude" that allows business-as-usual shows tacit approval of the demoralizing, unscrupulous, family destroying predatory lending financial models wherever they exist.

The lack of effective regulatory legislation has allowed big banks to support and finance the payday lending industry. Wells Fargo finances about one-third of this predatory industry based on SEC and other government filings.

Households without adequate income or savings often seek credit to weather financial short-falls. While affordable credit can help families through a brief shortfall, high-cost payday loans typically lead borrowers into a long-term debt trap, which ultimately leaves them worse off.

2) Current regulatory guidance is inept and unenforceable.

   Flawed legislation designed to allow existing payday lenders to operate through the loopholes provides consumers a debt-trap and lenders a lucrative industry. Payday and auto title loan companies are exploiting the Credit Service Organization Act (CSO), which was designed to monitor credit repair services. When the law was written, Lawmakers did not intend for the CSO to become a business model for payday and auto title loan companies to operate. Sufficient oversight responsibilities were not delineated in the legislation. **(confirm)**

   Progressive legislation should be enacted to put sufficient teeth and punitive clauses that deter customer abuse.

   Payday lenders support lobbying for their predatory product while calling it reform. "But they are not effective with the voting public – they can't convince the broad voting public that their product makes sense". It is time to stop the predatory lending industry and their lobbyist from blocking common-sense protection (for the people) at the legislature.

3) 36% Rate Cap is the only solution.

As of the writing of this study guide seventeen states, including Georgia, North Carolina, West Virginia, and Maryland, plus the District of Columbia require payday lenders to comply with the same laws and regulations as other state-licensed small loan companies and cap the interest rate at or around 36%. In 2007, Congress extended the same protection to the military and their families.

Many states have enacted legislation to regulate certain aspects of the payday industry. Despite these efforts, consumer protections in these laws, including databases, cooling off periods, and limitations on the numbers of outstanding loans, have been ineffectual in reducing predatory payday loan refinancing (flipping).

Where high-cost lending is banned or capped, both borrowers and communities benefit. For example, a study in North Carolina after payday loans were brought under a 36% rate cap, former payday borrowers reported they were glad they no longer had the temptation of what they viewed as an expensive product that was easy to get into, but had to get out of. And, they relied on a number of strategies, e.g. family, friends, borrowing from employer, paying bills late, charity, and savings. Collectively, states with two-digit interest rate caps save their citizens nearly $2 billion per year.

4) Car Title Loans – Financial Quicksand.

Title Loans are similar to payday loans, but require the vehicle title as collateral, repayment within one month, and is made for much less then the fair market value of the vehicle. Title loans put at high risk this asset essential to the well-being of working class and low-income families.

Auto title lenders often target people with bad credit, low-income individuals, military members, and elderly people. The lenders make money using high interest rates and the repossession of vehicles when consumers cannot pay off the loan.

Consumers often end up paying very high interest rates and lots of money or lose their vehicle. This loan is written with an interest rate for a short time period. For example, the loan will show a 25% interest rate for one month. But this rate over a year is actually 300%. Auto title lenders will usually write a loan for 30 days or less. At the end of the month, the lender will accept the interest payment and allow the debt to be “rolled over” for another month. On a $600 loan, the interest would be approximately $150. This means the consumer owe $750. If you only pay $150 for the month, you will owe $750 the next month.

Show how APR is calculated in the Moderator’s Guide

5) Pawnshops – An unfavorable Preying Blight on Society.

Passing city ordnances specifically restricting the business location would provide the appropriate regulations to safeguard the health, safety and general welfare of the community.  Studies show that pawnshops and payday lending stores can result in "De-investment and (the) decline of property values."  Also, noting that the businesses typically target/prey on the vulnerable populations (poor, uneducated, undereducated and desperate).

6) Stacked Deck:  An Analysis of Forced Arbitration.

Forced Arbitration denies consumers fair hearing on complaints about credit cards and other financial products.  Consumers have the deck stacked against them when they are forced into mandatory arbitration by their credit card issuer or other financial provider.  Many consumers don't know that the contracts they sign for most credit cards, auto loans, payday loans, etc., come with hidden clauses that require them to use arbitration rather than the courts to resolve complaints. Stacked Deck details some of the forces working against an individual's ability to receive a fair hearing during arbitration.

Among them:

a. Individual Arbitrators have a strong incentive to favor the firms that provide them with repeat business over an individual consumer they may never see again.
b. Companies win a favorable ruling in arbitration far more often than consumers.
c. Companies involved in the most arbitration cases – and, therefore, in creating the most business for arbitrators – consistently receive more favorable rulings than firms involved in fewer cases.

**Payday Loans**

The term payday loan (also called a paycheck advance) is used to describe a small, short-term loan that is intended to cover a borrower's expenses until his or her next payday. The loans are also sometimes referred to as cash advances, though that term can also refer to cash provided against a prearranged line of credit such as a credit card. Legislation regarding payday loans varies widely between different countries and, within the USA, between different states.

**Loan Process.** Borrowers visit a payday lending store and secure a small cash loan, with payment due in full at the borrower's next paycheck (usually a two week term). In the United States, finance charges on these loans often range from 15 to 30 percent of the amount for the two-week period, which translates to annual percentage rates (APRs) from 390 to 780.[1] The borrower writes a postdated check to the lender in the full amount of the loan plus fees. On the maturity date, the borrower is expected to return to the store to repay the loan in person.

If the borrower doesn't repay the loan in person, the lender may redeem the check. If the account is short on funds to cover the check, the borrower may now face a bounced check fee from their bank in addition to the costs of the loan, and the loan may incur additional fees and/or an increased interest rate as a result of the failure to pay.

Payday lenders require the borrower to bring one or more recent pay stubs to prove a steady source of income. The borrower is also required to provide recent bank statements. Individual companies and franchises have their own underwriting criteria.

**Internet lending.** Online payday loans are marketed through e-mail, online search, paid ads, and referrals. Typically, a consumer fills out an online application form or faxes a completed application that requests personal information, bank account numbers, Social Security number and employer information. Borrowers fax copies of a check, a recent bank statement, and signed paperwork. The loan is direct-deposited into the consumer's checking account and loan payment or the finance charge is electronically withdrawn on the borrower's next payday.

**United States**

Regulation of lending institutions is handled primarily by individual states, and this growing industry exists atop an active and shifting legal landscape. Lenders lobby to enable payday lending practices, while opponents of the industry lobby to prohibit the high cost loans in the name of consumer protection.

Many states have usury laws, which forbid interest rates in excess of a certain APR. Payday lenders have succeeded in getting around usury laws in some states by forming relationships with nationally-chartered banks based in a different state with no usury ceiling (such as South Dakota or Delaware). For usury laws to be effective, they need to include all loan fees as part of the interest. Otherwise, lenders can charge any amount they want as fees and still claim a low interest rate.

**Federal Regulation**

In the US, although payday lending is primarily regulated at the state level, Congress passed a law becoming effective on Oct. 1, 2007 that caps lending to military personnel at a maximum of 36% APR as defined by the Secretary of Defense. The Defense Department called payday lending practices "predatory", and military officers cited concerns that payday lending ruined low-paid enlisted men and women's finances, jeopardized their security clearances, and even interfered with deployment schedules to Iraq. Some federal banking regulators and legislators seek to restrict or prohibit the loans not just for military personnel, but for all, borrowers because the high costs are viewed as a financial drain on the working and lower-middle class populations who are the primary borrowers.

Predatory lending should be a concern to us because:

- The exorbitant interest rates. Here in AL this can reach as high as 400% APR, or even higher.
- The terms and conditions (T&C) of the loan
- The affect of the T&Cs ensnares the borrower in a spiraling condition whereby the borrower has to extend the loan. This is a process referred to as churning.
- Payday loan products routinely come from with at least a 400% APR and require a short-term balloon payment that can account for 25-50 percent of a borrower’s entire take-home income. Devoting this substantial share of a paycheck to repaying a loan leaves many, if not most, borrowers inadequate funds for their

other obligations, compelling them to take out a new payday loan almost immediately.

- These borrowers (75-80%) generally open new loans in rapid succession, with 87% of all new loans to these borrowers occurring within two weeks, or before their next payday. Ninety percent of payday lending revenues are based on fees stripped from trapped borrowers. The terms of these loans are cleverly designed to be difficult to meet. Borrowers are not allowed to pay the loan down (partial payments or installments) and can't afford to pay it off. The borrower must pay the lender an additional amount of interest each time they renew their loan (Approximately $50 for a $300 loan). Payday lending costs Alabama residents $295.5 million dollars annually in predatory lending fees. Payday loans create a cycle of debt that quickly diminishes the income of vulnerable households.

**Car Title Loans**

Car title loans are similar to payday loans, but require the borrower's vehicle title as security, repayment within one month, and are made for much less than the value of the vehicle. Title loans put at risk an asset essential to the well-being of working families: These families rely on their vehicles to get to work and back, so if that mode of transportation is taken away, so is the capability to work.

**Pawnshops**

Pawnshops are similar to payday loans and car title loans, but involve the collateral of personal property for the loan. Often a borrower never retrieves his/her property, so it would be wiser to sell that property for closer to actual value than to rely on a pawnshop loan.

## FAITH PERSPECTIVES

As demonstrated in the previous segment, there are several moral and quality-of-government concerns with predatory lending laws as they currently stand. This segment of the study guide provides the participants with a perspective from the teachings of our faith traditions.

The derivation of this perspective has been developed through a synthesis of Scripture, a review of how faith traditions have applied the teachings of Scripture, and the resulting experience of those applications.

In the preface we noted J. Phillip Wogaman's statement that "…the world of politics is a place of encounter between humanity and God" and that "we cannot leave God safely in a theological ghetto while we busy ourselves with the affairs of state". (J. Phillip Wogaman, Perspectives on Politics.)

That being the case we have chosen to structure this segment using Wogaman's concept of "theological entry points". He writes, "The idea is not that there is only one grand theological conception that must be applied to politics, nor even that only one conception is helpful in illuminating any one problem. But it remains that certain theological concepts … may be particularly relevant to particular problems."

1. The Sovereignty of God

For many church members the notion of separation of church and state is a stumbling block when someone suggests that the topic of conversation is one in which the church be engaged. For Christians the question of allegiance was answered by Peter in Acts 5:29 "We must obey God rather than any human authority". This perspective has been carried forward into the doctrinal and practice statements of many of the faith traditions. See the appendix for example of these statements.

There still remains the question of limits to political activity before breaking the rules of the state with regard to the IRS. The appendix contains relevant excerpts from a study done by the Pew Forum on Religion and Public Life.

2. God's Covenant and Justice

Every study of the Scriptures in both Old and New Testament is built around the concept of the covenant God made from the very beginning with his creatures, all of them. Covenant is primary with Noah, Abraham, and all the patriarchs of the faith as it is lived out, broken, and renewed again and again. The Gospels make it clear that Jesus is the ultimate fulfilling of the covenant God makes with God's people. Jesus is not an isolated figure in history but embodies the tie, the bond, the covenant God puts into all creation.

The covenant, as it was given and is given to us today, is one that is based on responsibility to God and on responsibility toward the neighbor whether face-to-face or indirectly through the social institutions we establish. The prophets cast this concept in terms of justice. Micah sums it up: "He (Yahweh) has showed you O man what is good; and what does the Lord require of you but to do justice, and to love kindness, and to walk humbly with your God?" (Micah 6:8)

The covenant was broken each time God's people forgot they were to live in the framework of justice for all. The covenant was renewed by God's grace. The human response to God's covenant is to come back, again and again, to the realization that all of the earth, our part and everyone else's, belongs to God and we are to live up to it for the good of all people. This means we cannot leave justice issues up to someone else or to secular institutions but must address them as the people of God.

Thus, justice presupposes God's intention for people to be in community. When people had become poor and weak with respect to the rest of the community, they were to be strengthened so that they could continue to be effective members of the community _____ living with them and beside them (Lev. 25:35 – 36). Thus biblical justice restores people to community. By justice those who lacked the power and resources to participate in significant aspects of the community were to be strengthened so that they could.

These legal provisions express a further characteristic of justice. Justice delivers; it does not merely relieve the immediate needs of those in dire circumstances (Ps. 76:9; Isa.

45:8; 58:11; 62:1-2). Helping the needy means setting them back on their feet, giving a home, leading to prosperity, restoration, ending the oppression ( Ps. 68:5-10; 10:15-160). Such thorough justice can be socially disruptive. Restoration involves the return of privileges, rights, property etc. preempted by other members of the community based upon the application of unjust laws imposed by the government or rulers of the culture. The advantage to some may be a disadvantage to others.

This concept is further clarified by E. Clinton Gardner in his book "Biblical Faith and Social Ethics" (page 315). "…whenever he ( the citizen in a democratic country) believes a law to be unjust, he has a duty to do what he can to change it by participation in the normal and legal processes whereby laws are made, amended, and repealed. In those countries where citizens have an opportunity to participate in the processes of government, obedience to God is not the same thing as mere submission to those who are in authority at a particular time. Rather it involves the responsibility to assist those in authority in performing their appointed tasks by giving them support, by keeping their actions under continuous criticism and by preparing to replace the governing authorities themselves when this seems necessary in the interest of better government."

Jesus affirmed for His day the centrality of the Old Testament demand for justice (Matt. 23:23). Justice is the work of the New Testament people of God (Jas. 1:27).

Justice is grace received and grace shared (2 Cor. 9:8-10).

There is no distinction between a personal, voluntary justice and a legal, public justice. The same caring for the needy groups of the society is demanded of the ruler (government).

Justice is also a central demand on all people who bear the name of God. Its claim is so basic that without it central demands and provisions of God are not acceptable to God. Justice is required for the sacrificial system (Amos 5:21-24; Mic. 5:6-8; Isa. 1:11-17; Matt. 5:23-24), fasting (Isa. 58:1-10), tithing (Matt. 23:23), and obedience to the other commandments (Matt. 19:16-21).

3. New Testament Scripture References

Perhaps the best example of the immorality of predatory lending is seen in the story of Jesus' cleansing of the Temple found in all four of the gospel accounts. (Matt 21:12, 13; Mark 11:15 – 17; Luke 19:45, 46; John2:12 – 16). In this incident Jesus finds the outer courtyard filled with moneychangers and dealers in animals to be used in the sacrificial ceremonies held in the celebration of Passover in the Temples' inner courts.

There was a Temple tax that every Jew over nineteen years of age must pay. The tax was necessary to defray the cost of operating the Temple. Keep in mind, when thinking of sums of money, at that time a working man's wage was a little less than 4p per day. The Temple tax was set at one half-shekel or about 6p, or about one and a half days pay. Many different coins were in circulation (Roman, Greek, Egyptian; etc) but the Temple tax was payable only in Galilean or temple shekels. To convert the foreign coins the money changers charged 1p per half-shekel, so that if a man brought in a 2 shekel coin he would pay 4p (a days pay) for converting to temple shekels.

In addition to the money changers there were also sellers of animals for use in the sacrificial offerings in the Temple. It was a convenience for pilgrims traveling from afar to purchase them in the temple court, but the law required the animals to be perfect and unblemished. Inspectors were appointed by the Temple authorities to inspect them and a fee of 1p was charged for this service. It was almost certain that animals purchased outside the court would be rejected. A pair of doves could cost as little as 4p outside the court, and as much as 75p inside. By means of religiously endorsed extortion, poor pilgrims were forced into buying sacrificial animals at unfairly inflated prices.

These were examples of a rampant and shameless social injustice, which moved Jesus to an infrequent display of livid anger. In his anger he overturned the tables of the moneychangers. The scriptures indicate that he took cords and made a whip he used to drive the animals and the dealers from the court.

Another example of scriptural injunctions against predatory lending may be found in Luke 6: 34 - 36, “And if you lend to those from whom you expect repayment, what credit is that to you? Even 'sinners' lend to 'sinners' expecting to be repaid in full. But love your enemies, do good to them, and lend to them without expecting to get anything back. Then your reward will be great, and you will be sons of the Most High, because he is kind to the ungrateful and wicked. Be merciful, just as your Father is merciful." Thus, because God extends grace without an unrealistic expectation of return, we should also extend grace and charity with the same spirit.

4. Old Testament Scripture References

Several verses in the Old Testament contain references to laws regarding the lending of money to others and to usury. These are laws resulting from the original covenant and they detail the manner in which lending and borrowing should be conducted. Perhaps the most pertinent to discussions about payday lending is found in Leviticus 25: 35 – 37 which states “If one of your countrymen becomes poor and is unable to support himself among you, help him, as you would an alien or a temporary resident, so he can continue to live among you. Do not take interest of any kind from him, so that your countryman may continue to live among you. You must not lend him money at interest, or sell him food at a profit.”

In Exodus 22:25 we are told “If you lend money to my people, to the poor among you, you shall not deal with them as a creditor, you shall not exact interest from them.”

“Oh Lord, who may abide in your tent? Who may dwell on your holy hill? ... Those who walk blamelessly, and do what is right, … who do not lend money at interest, and do not take a bribe from the innocent.” Psalm 15:5

## WEEK THREE

## DELIBERATIVE DISCUSSION USING THE ISSUE MAP (See Sidebar 2)

OBJECTIVE: Begin the deliberation process through introduction of the issue map.

ACTIVITIES:

- If more than eight in the small group, divide into even smaller discussion groups
- Designate a discussion moderator
- Read each of the choices and “What supporters say” and “What critics say”

- Discuss Choice 1. Ascertain the underlying values held by the members of the discussion group.

**NOTES**

## ISSUE MAP

DISCUSSION OF CHOICES

**Choice 1: 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.**

**What Supporters Say:**

### Charges are in line with costs

A study by the FDIC Center for Financial Research found that “operating costs are not that out of line with the size of advance fees” collected and that, after subtracting fixed operating costs and “unusually high rate of default losses,” payday loans “may not necessarily yield extraordinary profits.” Based on the annual reports of publicly traded payday loan companies, loan losses can average 15% or more of loan revenue. Underwriters of payday loans must also deal with people presenting fraudulent checks as security or making stop payments.

Critics concede that some borrowers may default on the loans, but point to the industry's pace of growth as an indication of its profitability. Consumer advocates condemn the practice as a whole, regardless of its profitability, because it "takes advantage of consumers who are already hard-pressed to pay their debts".

A staff report released by the Federal Reserve Bank of New York concluded that payday loans should not be categorized as "predatory" since they may improve household welfare. "Defining and Detecting Predatory Lending" reports "if payday lenders raise household welfare by relaxing credit constraints, anti-predatory legislation may lower it." The author of the report, Donald P. Morgan, defined predatory lending as "a welfare reducing provision of credit." However, he also noted that loans are very expensive, and that they are likely to be made to under-educated households or households of uncertain income.

Payday lenders do not compare their interest rates to those of mainstream lenders. Instead, they compare their fees to the overdraft, late payment, and penalty fees that will be incurred if the customer is unable to secure any credit whatsoever.

The lenders therefore list a different set of alternatives (costs expressed here as APRs for two-week terms)

$100 payday advance with $15 fee = 391% APR;
$100 bounced check with $48 NSF/merchant fees = 1,251% APR;
$100 credit card balance with $26 late fee = 678% APR;
$100 utility bill with $50 late/reconnect fees = 1,304% APR.

Income tax refund anticipation loans are not technically payday loans (because they are repayable upon receipt of the borrower's income tax refund, not at his next payday), but they have similar credit and cost characteristics. A car title loan is secured by the borrower's car, but is available only to borrowers who hold clear title (i.e., no other loans) to a vehicle. The maximum amount of the loan is some fraction of the resale value of the car.

**What Critics Say:**

Payday lending is a controversial practice and faces both legal battles and public perception challenges in nearly every place where it is practiced.

People who resort to payday lending are typically low-income people with few assets, as these are people who are least able to secure normal, lower-interest-rate forms of credit. Since the payday lending operations charge such high interest-rates, and do nothing to encourage savings or asset accumulation, they have the effect of depleting the assets of low-income communities.

Critics such as Consumers Union blame payday lenders for exploiting people's financial hardship for profit. They say lenders target the young and the poor, particularly those near military bases and in low-income communities. They also say that borrowers may not understand that the high interest rates are likely to trap them in a "debt-cycle," where they have to repeatedly renew the loan and pay associated fees every two weeks until they can finally save enough to pay off the principal and get out of debt. Critics also say that payday lending unfairly disadvantages the poor, compared to the middle class who pay at most 25% or so on their credit cards.

In US law, a payday lender can use only the same industry standard collection practices used to collect other debts.

In many cases, the borrower has written a post-dated check to the lender; if the borrower defaults, then this check will bounce. Some payday lenders have therefore threatened delinquent borrowers with criminal prosecution, for check fraud. This practice is illegal in many jurisdictions.

Payday lenders have been known to ignore usury limits and charge higher amounts than they are entitled to by law. On May 30, 2008, the Illinois Department of Financial and Professional Regulation fined Global Payday Loan $234,000—the largest fine in Illinois history against a payday lender—for exceeding the $15.50 per $100 limit on charges for payday loans. A customer, known only as J.M., borrowed $300 and repaid $360 ($13.50 more than the company was legally entitled to collect under the Illinois Payday Loan Reform Act), but the company was still sending her warnings that her account was 'seriously delinquent' and that her unpaid balance was $630.

Issuers of payday loans defend their higher interest rates by saying processing costs for payday loans do not differ much from other loans, including home mortgages. They argue that conventional interest rates for lower dollar amounts and shorter terms would not be profitable. For example, a $100 one-week loan, at a 20% APR (compounded weekly) would generate only 38 cents of interest, which would fail to match loan-processing costs.

Critics say payday lenders' processing costs are significantly lower than costs for mortgages and other traditional loans. Payday lenders usually look at recent pay-stubs, whereas larger-loan lenders do full credit checks and make a determination about the borrower's ability to pay back the loan.

**Choice 2: Seek changes via the state legislature, to reform unjust features of the predatory lending industry. Enforce state's applicable usury laws.**

**What Supporters Say:**

Alabama should enact creditable statewide financial lending laws with a lending rate cap not to exceed 18 percent APR. The maximum alternative proposal should not exceed the 36 percent APR established by the US congress for military personnel.

Alabama should establish minimum standards and bring greater support and focus to state lending protections. Financial service companies are spending $1.5 million a day in lobbying dollars as they try to persuade congress to oppose financial reform. Payday lenders repeatedly evade rules, finding new ways to maintain business as usual and continue to offer short-term loans with triple-digit interest rates in Alabama.

Because of the predatory design of payday loans, the vast majority of borrowers cannot walk away after the initial loan, but must continue borrowing every pay period to pay off the previous payday loan. The typical borrower is stuck in the payday debt trap for nine pay periods, and ultimately pays $822.50 in principal and interest for a $350.00 loan. Payday lenders' ability to churn borrowers in this manner continues unabated as they operate under state credit repair laws.

The absence of provisions incorporating brokering fees into calculation of interest has been seen by payday lenders as an invitation for fee-packing. This loophole has resulted in a migration of payday lenders to CSO acts in several states for the sole purpose of perpetuating their usurious business model, evading rate caps that would otherwise prevent the payday debt trap. As payday lenders are increasingly excluded from markets throughout the country, Alabama must ensure that the state is not left vulnerable to brokering subterfuge.

Like payday loans, car title loans are marketed as small emergency loans, but in reality these loans trap borrowers in a cycle of debt. A typical car title loan has a triple-digit APR, requires repayments within one month, and is made for much less than the value of the vehicle. Car title loans put at high risk an asset that is essential to the well being of working families - their vehicle. For the most part, state laws are more sympathetic to the car title lending industry than to the consumer being driven deeper into debt.

Payday lending cost Alabama $224 million annually in predatory fees paid to mostly out- of-state payday companies. Studies show that because of their high costs and terms, payday loans leave borrowers exhibiting decreased productivity at work, unable to pay other bills, and more likely to file for bankruptcy. Where high-cost lending is banned or capped, both borrowers and communities benefit.

A new Center for Responsible Lending (CRL) study reveals that every year, payday lenders strip $4.2 billion in excessive fees from Americans who think they are getting a two-week loan and end up trapped in debt paying an APR of 400 percent.

Wealth-stripping payday loans trouble communities of color. People of color have less wealth than their white counter-parts, making them more vulnerable to predatory lending. This, in turn, threatens to further widen the wealth gap. An examination of payday lending locations-reveals a pattern of these stores clustering in communities of color.

Alabama passed an ineffective payday lending law in 2003 that introduced only minimum regulation. It failed to limit fees, which can reach 456 percent APR. Rather than establishing a central database that would track loans, the law requires only that the lender "use a database, where available". Alabama lenders can choose from three databases that operate in the state. Thus, a consumer can borrow the maximum amount ($500.00) from three different lenders who use different databases. This loophole fails to protect lenders from risk and borrowers from becoming overextended.

Alabama should require lenders to offer repayment options and to use a centralized database that makes it possible to enforce the existing $500 cap on loans to a single borrower. Alabama need stronger enforcement provisions that let regulators stop lenders from violating the law. It is time for Alabama to ensure that low-income workers, the undereducated, the misinformed and unsuspecting victims can borrow money on fair terms without fear of endless debt.

**What Critics Say:**

Opponents of government regulation of payday loan businesses argue that some individuals that require the use of payday loans have already exhausted or ruined any other alternatives. Tom Lehman, an advocate of unfettered payday lending, said,

*Payday lending services extend small amounts of uncollateralized credit to high-risk borrowers, and provide loans to poor households when other financial institutions will not. Throughout the past decade, this "democratization of credit" has made small loans available to mass sectors of the population, and particularly the poor, that would not have had access to credit of any kind in the past....*

Lehman attacked proponents of increased regulation of the lending industry, arguing that,

*These allegations against the payday-lending industry are largely without merit, and generally reflect the views of "do-gooder" anticapitalist elites who abhor the "messy" and unplanned outcomes in low-income consumer finance markets. Rather than seeing payday lending practices as a creative extension of credit to poor households who may otherwise be without loans, these critics see it as yet another opportunity for government intervention in the name of "helping" the poor.*

Lehman has in turn been criticized for presenting himself as an independent voice while taking money from the payday loan industry.

**Choice 3: Create alternative lending sources that employ lending practices that reflect those of banks, credit unions, etc. to meet the market need.**

What supporters say:

1. Alternatives to payday loans must stand on their own merits. The question is not whether a loan is cheaper than traditional payday loans; it is whether it is affordable enough to be sustainable by borrowers. The point of reference is the borrowers well-being, not the cost of the extreme products on the market. Any loan that is unaffordable is not a genuine alternative. Public policy needs to focus on eliminating harmful forms of credit, not expanding the array of dangerous products available to consumers.

A number of institutions (mostly credit unions and smaller community banks) are working on business models that provide for affordable small dollar loans that include a reasonable profit for the lender. High loss rates are not legitimate justification for high priced loans. Write-offs do not justify predatory lending, but they may very well signal that such lending is taking place.

Alternatives to current payday loan practices are more readily achievable than statutory (in Alabama; constitutional) restrictions on small dollar loan practices and in most cases are ultimately less expensive to regulate since they would be implemented under existing rules and regulatory agencies, such as The Federal Deposit Insurance Corporation (FDIC); and thus would not require the expense of operating additional governmental organizations.

There are many other types of credit alternatives to the current payday loans offered by the payday loan market. Many are far less than ideal but still may be better than a payday loan. Payday loan borrowers may not be aware of them because they are not adequately advertised and explained. They include: credit cards, pawn brokers, reasonably priced overdraft lines of credit, loans from friends or relatives, or pay advances directly from employers. These alternatives while not entirely satisfactory are sufficient to challenge the statement that payday lenders are meeting a need that is not being met elsewhere.

The feasibility of affordable and sustainable small dollar loan programs for banking organizations has been convincingly demonstrated by the FDIC sponsored Small Dollar Loan Pilot Program and by the implementation of similar Credit unions dominate the field of the best alternatives. Many credit unions meet all the criteria and others come close. A few banks offer affordable small loans that can meet the needs of payday loan borrowers. Nonbank lenders are also emerging with viable payday loan alternatives.

Other alternatives have been developed by some church organizations, still others by coalitions of churches, civic organizations and business entities. They are generally designed to provide affordable credit in direct competition with payday lenders.

A more comprehensive discussion, a complete listing of available alternative sources and their evaluations may be found in the National Consumer Law Center report "Stopping the Payday Loan Trap; Alternatives That Work, Ones That Don't". The report may be found at http://www.NCLC.org.

A detailed description of the FDIC Small Dollar Loan Pilot Program including an evaluation of its results may be found in the FDIC Quarterly 2010, Volume 4, No. 2. The report may be obtained at http://www.fdic.gov.

2. Whether lending is responsible or irresponsible is unrelated to profit margin. A lender that is barely breaking even can still be offering loans that endanger consumers. The toxic mortgages made in the last few years were predatory even though they turned out to be money losers for the holders of the loans. The point of reference must be the impact on the consumer, not the lenders economics.

Conversely, there is nothing wrong with healthy profits if the loan is helpful to consumers. In fact, affordable payday loan alternatives will not become widely available unless lenders can design a business model that builds in reasonable profits. While that is undoubtedly a challenge, a number of institutions are working to make it happen.

High loss rates are also not legitimate justification for high priced loans. In fact high loss rates are a sign of a dangerous product. High loss rates indicate that the loans are unaffordable to a high percentage of borrowers, not that lenders need to be compensated for risk-taking. Write-offs do not justify predatory lending, but they may well signal that such lending is taking place.

3. The statement that an alternative needs to look like a payday loan is simply a self-serving justification for offering an unaffordable loan that contains the same features that make payday loans problematic. Although there is nothing wrong with pricing or explaining a loan as dollars per hundred rather than charging interest on a percentage basis, the loan still needs to be affordable. Payday borrowers are capable of understanding that a loan carrying 18% annual interest is cheaper than $15 per $100 every two weeks. They will seek out these cheaper loans if they are made available. Conversely, any benefit to a structure that resembles the payday loans to which borrowers are accustomed is outweighed by the harm of a price structure that is unaffordable.

Similarly, it may be attractive to feed the illusion that a loan is inexpensive because it will be paid off in two or four weeks. But the real needs of payday borrowers are met only by loans that have payments that can actually make, without repeat borrowing or shortfalls the next pay period.

4. As a counter to the argument that expensive loans must be tolerated, some borrowers have other, better (if not ideal) options that they would exercise if payday lending were unavailable. Some borrowers have, or could qualify for, a credit card. Some could use a pawnbroker - a form of lending that is far from ideal but still significantly better than a

payday loan. Some could qualify for a reasonably priced overdraft line of credit, could borrow from friends or could obtain a pay advance directly from their employer. Some will be able to access the alternatives described in this report. The ease and convenience of payday loans is part of their popularity, and payday loans are not always the borrower's only option.

Bad credit tends to drive out good. This phenomenon was clear in the mortgage crisis: once some lenders started offering quick and easy loans with little or no documentation of ability to pay the deceptively affordable initial payments, others followed suit and abandoned traditional, safer loans for which many borrowers could have qualified. Conversely, the supply of good alternatives is likely to increase if the bad ones are driven out. For example one study found that credit was more available In Arkansas, which had a 10% usury ceiling, than in states allowing higher interest. Payday loans are popular in part because they are quick and easy. Elimination of irresponsible "fast cash" will increase both the supply of and demand for more responsible loans that may require more careful underwriting or may require a trip to the bank or credit and not just the strip mall.

Moreover, and perhaps most importantly harmful forms of credit should be restricted. Just because there is demand among cash-strapped consumers for credit does not mean that the demand must be met on any terms whatsoever. Numerous studies show that payday loans lead financially stressed borrowers into even more serious financial problems. If high rate borrowing is not sustainable for the borrower in the long term, it is better for the borrower to address the underlying problems early rather than later. Even payday lenders will eventually cut off a borrower who cannot pay. At that point, or when the payday debt balloons and the debt collector become intolerable, the borrower will have to do something else. She may seek help from friends or family, cut expenses, gets relief from an employer loan or a charitable organization, ignore debts that cannot be collected from her if she is judgment-proof, or file for bankruptcy. It is much better to choose one of those options earlier, before the debt explodes, than suffering the havoc created by repeated payday lending.

If a loan cannot be made responsibly, then it should not be made at all.

5. The alternatives to payday loans are temporary or stopgap measures and provide worthwhile relief from the abusive practices of payday lenders. Final solutions must be found in the legislative process that will provide a permanent solution to abusive practices and eliminate the need for alternative solutions.

What critics say:

1. Any alternative that is cheaper than a traditional payday loan is a good alternative.

Some very expensive small loans, such as credit card cash advance provisions and bank overdraft loan programs, boast about how they help consumers by pointing out that they are cheaper than the traditional $15 per $100 two-week payday loan.

2. Any loan that does not give the lender excessive profits is a responsible loan.

Lenders offering dangerously expensive loans justify the price by asserting that they do not have a high profit rate and that a high price is necessary to cover loan losses and overhead.

3. An alternative needs to look like a payday loan to "meet the consumer where he is"

Some institutions offer short term (two- or four-week) loans with high, fee-based rate structures (such as $12 per $100) that look a lot like traditional payday loans. They say that to be attractive to a payday borrower, an alternative loan needs to "meet the consumer where he is"

4. Expensive loans must be tolerated because there is demand for them. Free market purists argue that we should not impose restrictions on payday loans because the market is supplying a need not being met elsewhere and we should not restrict access to credit.

5. Competitive alternative loan programs will put existing payday lenders out of business thus adding to the rolls of the unemployed.

6. The profit payday lenders “create” is good for the U.S. economy.

**Choice 4: Provide financial educational support to Alabama citizens.**
**Provide consumer financial education leading to improved financial management.**

**What Supporters Say**

Potential borrowers could avoid being entrapped by lending agencies if they were better informed concerning financial management practices and lending agencies using non-predatory practices. However, reaching the potential borrowers is a difficult task. Many times churches are approached for financial aid. This provides an opportunity to serve if church staff and volunteers are informed about financial counseling available in their community. This choice addresses the capability available within Alabama and how churches could provide referral and/or direct services.

<u>Financial Management Programs for Churches</u>

1. Financial Peace
http://www.daveramsey.com/home/?ictid=glpdr

2. Good Samaritan Program
http://www.goodsamaritanprogram.org/howitworks.php

<u>Individual Development Accounts (IDA)</u>

The chart (See Sidebar 3) depicts how Individual Development Accounts can be set up and used.

In AL a consortium, AL Asset Building Coalition (AABC), of almost 50 nonprofit groups, businesses and government agencies has been established. The United Way of Central AL is the fiscal agent for federal grants available in 10 counties: Baldwin, Blount, Dallas, Etowah, Jefferson, Mobile, Shelby, St. Clair, Sumter and Walker. Smaller

IDA programs have appeared in Huntsville and Tuscaloosa. Matching funds come from an array of public, private and municipal sources.

Agencies Providing Counseling Services – The Alabama Guide to Family and Community Services is an excellent guide to financial management and other services in the state; see website www.optionsforhope.net.

How churches can play a role in this education process - As can be seen from the above discussion there are many ways churches can be involved in helping their members and members of the greater community with financial matters.

1. Organize and conduct a financial management ministry for their members. Two have been identified above, however there are many more.
2. Provide funding to support an IDA program in the community.
3. Ensure that staff and appropriate committees are informed of available community services such that information and referral services (I&R) can be provided.
4. Become a part of a faith based cooperative that can provide direct counseling and/or I&R services. An example in Huntsville is a faith based cooperative, the Interfaith Mission Service, that has established HELPLine (now part of Crisis Services of North AL) that provides I&R services and Family Services Center that provides direct counseling services.

**What Critics Say:**

1. Management of one's financial resources is the responsibility of the individual. If help is needed it should be provided by for profit businesses. Using public or charity funding sources reduces the funding available for endeavors that support the common good and cannot be funded by for profit businesses

2. Churches and other faith based endeavors are highly susceptible to what has become termed "affinity fraud". Affinity fraud refers to investment scams that prey upon members of identifiable groups, such as religious or ethnic communities, the elderly, or professional groups. The fraudsters who promote affinity scams frequently are - or pretend to be - members of the group. They often enlist respected community or religious leaders from within the group to spread the word about the scheme, by convincing those people that a fraudulent investment is legitimate and worthwhile. Many times, those leaders become unwitting victims of the fraudster's ruse.

3. These scams exploit the trust and friendship that exist in groups of people who have something in common. Because of the tight-knit structure of many groups, it can be difficult for regulators or law enforcement officials to detect an affinity scam. Victims often fail to notify authorities or pursue their legal remedies, and instead try to work things out within the group. This is particularly true where the fraudsters have used respected community or

religious leaders to convince others to join the investment.
**http://www.sec.gov/investor/pubs/affinity.h**

## WEEK FOUR

OBJECTIVE: Continue deliberative discussion, using the issue map as a tool.

ACTIVITIES:

- Discuss Choices 2 and 3. Continue the process from the previous week.
- Be ready to report on group(s)' deliberations

## NOTES

## WEEK FIVE

### DEVELOPING COMMON THEMES FOR ACTION USING DILIBERATIVE DECISION MAKING

OBJECTIVE: Develop common themes for action, deciding on recommendations to congregational council and other actions to take.

ACTIVITIES:

- Develop common themes of action
- Determine recommendations to be made to congregational council
- Determine other group and/or individual actions based on common themes
- Complete Post-Deliberative questionnaires

## NOTES

## REFERENCES


**Center for Responsible Lending**
**302 West Main Street**
**Durham, NC 27701**
**(919) 313-8500**
**Fax: (919) 313-8595**
**http/www.responsiblelending.org**

**AL Arise**
**http/www.alarise.org**

**Lakeside United Methodist Church**
**Church & Society Ministry**
**Joseph O, Collins, Sr., Chairperson**
**3738 Meridian St.**
**Huntsville, AL 35811**
**(256) 536-9400**
**Fax: (256) 526-9418**
**Email: LakesideUMC2@aol.com**
**Website: LakesideHsv.org**

**Appleseed**

**Christian Perspectives on Politics**

**First Things mag**

**Predatory Lending website (Benny or Joe will furnish)**

**David Mathews Center for Civic Life**

**Cap the Rate www.captherate.com**

## Sidebar 1

## ISSUE MAP

| Debate | Dialogue | Deliberations |
|---|---|---|
| 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

## PREDATORY ISSUE LENDING MAP

# Predatory Lending Issue Map

| **Choice One:** 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 changes via the state legislature, to reform unjust features of the predatory lending industry. Enforce stateÕs applicable usury laws. | | **Choice Three:** Create alternative lending sources that employ lending practices that reflect those of banks, credit unions, etc. to meet the market need. | | **Choice Four:** Provide consumer financial education leading to improved financial management. | |
|---|---|---|---|---|---|---|---|
| **What supporters say:** | **What critics say:** | **What supporters say:** | **What critics say:** | **What supporters say:** | **What critics say:** | **What supporters say:** | **What critics say:** |
| ¥Payday lending businesses provide needed financial help to individuals & families<br>¥Payday lenders are a creditable business and do not need further regulation<br>¥Payday lenders carry higher risks and therefore need higher interest rates to maintain the business<br>¥Title loans provide access to quick convenient cash during financial crisis<br>¥Payday lenders provide Òaccess | ¥Limited oversite enable business-as-usual to continue immoral high APR<br>¥Payday loans lead borrowers into a long-term-debt trap.<br>¥Lenders give no consideration of borrowerÕs ability to repay loan while collecting multiple renewal fees<br>¥ÒAccess to creditÓclaims ignore the abusive design of payday lending business model<br>¥Title loans place the borrower at | ¥The DoD has implemented regulations that cap APR at 36% for all military personnel,<br>¥Many other states have enacted state legislation to impose this 36% cap<br>¥AL Arise, Center for Responsible Lending and other advocacy groups have model legislation to do the same for AL.<br>¥Current AL regulations fees can reach 456% APR. | ¥Current regulations are not being enforced . Why should we add regulations that will not be enforced.<br>¥ Small loans are designed to help those individuals in need of funds to meet a financial crisis<br>¥Proposed changes to further regulate this industry will close many of the businesses thus increasing unemployment. | • Many communities are developing cooperatives to meet the demand for emergency loans.<br>• Support credit unions in their efforts to make small loans<br>• Develop ÒSmall Dollar Loan ProgramsÓ | • This will put some of the existing businesses out of business thus killing jobs<br>• AL legislators will not support creating such businesses. They did not support recent reform attempts<br>• Big banks provide funding for predatory lenders | • With improved comprehension of financial management practices people could avoid the predatory industry.<br>• Churches and/or faith based cooperatives could provide financial management services | • That is the responsibility of the individual<br>• It would be a diversion for the faith communityÕs primary responsibility.<br>• Churches and faith based cooperatives are ill equipped to meet this need and are susceptible to Òaffinity fraudÓ. |

## Sidebar 3

## Individual Development Accounts (IDA)