



WISCONSIN CATHOLIC CONFERENCE

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WCC BACKS CURBING PAYDAY LOANS

Arguing needy families in Wisconsin should not be abandoned to predatory practices most people would find intolerable, the Wisconsin Catholic Conference (WCC) is supporting legislative efforts to place stronger regulations on the payday loan industry.

The WCC is asking Catholics and others to support legislation such as Assembly Bill 392, which was introduced last week by over 55 co-sponsors. The proposal prohibits payday lenders from assessing finance charges that exceed 36 percent per year, and would give the Department of Financial Institutions (DFI) the authority to enforce the new regulations. Those who violate the regulations could be subject to fines, imprisonment, or both. Borrowers could also bring suit against violators to recover damages.

WCC Executive Director John Huebscher said that the Conference's support of efforts to curb payday lending reflects the insights of Catholic groups that work directly with needy families. Catholic Charities agencies in Wisconsin, which offer family financial counseling services, are seeing an alarming rise in the number of individuals seeking their services due to the unregulated nature of the payday loan industry.

"The everyday experience of staff at Catholic Charities and that of parish-based volunteers with the Society of St. Vincent de Paul Councils offer powerful testimony that payday loans impose great hardship on families who already struggle financially," Huebscher explained. "Their message is loud and clear. Our laws must do more to protect the poor in this area."

Catholic Charities of the Diocese of La Crosse, for example, offers a Financial Counseling Program in office locations throughout western Wisconsin. The agency estimates that one in every three clients on its Debt Management Program (DMP) has a payday loan. Most clients carry more than one payday loan account. On average, they have three accounts and some have up to six or eight accounts with different payday lenders. The average payday lender charges a 485% annual percentage rate (APR), but there have also been cases where the APR is higher than 1000%.

Under current law, while the DFI must license all payday lenders operating in the state, it currently does not have the authority to regulate the amount of the loans, the interest charged, or the number of times a loan can be "rolled over." Under this limited regulation, payday lending in Wisconsin has flourished in the past fifteen years. In 1995, the state licensed two payday lenders. Last year, it licensed 530.

“Few if any parents in Wisconsin would co-sign a loan for their children or relatives under the terms by which payday loans are made,” Huebscher observed. “We should not abandon needy people to practices we would find intolerable if applied to us.”

Huebscher noted that a key theme of Catholic teaching is that Catholics must exercise an “option for the poor” not only in their personal choices, but also in the public policies they support.

“It is not only about helping the poor, which is what groups like Catholic Charities and the Society of St. Vincent de Paul do every day,” Huebscher added. “An option for the poor means we do not abandon the poor or ignore their plight when we make laws and regulations. We cannot allow largely unregulated forms of predatory lending to exploit their vulnerability.”

The WCC urges support for AB 392 and similar legislation that can help prevent such exploitation.

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