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## **Payday Lending Bill Sponsor Makes Faulty Arguments At Florida Committee Hearing**

### ***Testimony Clouds Debt Trap Nature of Payday Loans***

Tallahassee, Florida — Contending that a federal Consumer Financial Protection Bureau rule makes legalization of a new 200% interest payday lending product necessary, Rep. James Grant pushed HB 857 through the House Appropriations committee in the Florida legislature today. But the rule is under heavy attack at the federal level which puts its future in doubt, and it is not scheduled to take effect until August 2019.

Rep. Grant also claimed that Florida families are already protected from predatory payday lending, but the reforms passed in 2001 have not been effective in stopping the debt trap. An analysis of payday lending in Florida found that payday lenders still collect over \$300 million per year from customers largely trapped in long-term cycles at annual interest rates over 200%.

The payday lenders depend on this long-term cycle, with over [83% of Florida payday loans going to people stuck in a cycle of 7 or more loans per year](#). Because these loans are so expensive, being unable to break free of that cycle leads families into financial devastation, causing them to get behind on other bills, lose bank accounts and be more likely to have to file bankruptcy.

Rep. Grant questioned the validity of using the APR, or annual interest rate, in evaluating payday loans, an argument the industry lobbyists have long used to hide the true costs of their products.

“Lenders are required to disclose the APR of their loans to prevent just such hidden costs, so that people can compare the true cost of one financial product to another,” said Alice Vickers, director of Florida Alliance for Consumer Protection. “Of course, APR matters in payday lending, and the fact that many borrowers are stuck in one loan after another after another for weeks, months, or years makes that true cost measure all the more relevant.”

The squabble over interest rates and the harms of payday lending came at a hearing where members praised Amscot and supported legalizing a new 200% interest loan in Florida, one that legislative staff and Office of Financial Regulation point out will cost borrowers considerably more than what is currently allowed. Rep. Bruce Antone pointed out the “if you get a \$1000 loan, you’re going to pay back \$345 (in fees) ninety days later. That is a huge amount of money!”

“This simply adds another 200% interest tool to the toolkit of a predatory business,” said Rev. Rachel Gunter Shapard. Shapard testified at the hearing on behalf of over 50 faith leaders who signed an [open letter opposing the bill](#).

Calls to kill the bill also came last week from the [Florida AARP](#), the [Florida NAACP](#), more than [50 faith leaders](#) from across the state, and [the Archbishop of Miami](#). The Florida Catholic Conference, National Association of Latino Community Asset Builders, Florida Prosperity Partnership, Florida Veterans for Common Sense, the Cooperative Baptist Fellowship of Florida, UnidosUS, Florida Hispanic Unity, Florida Legal Services, League of Southeastern Credit Unions and many others have also voiced their opposition.

*Read the **open letter** signed by 56 faith leaders from across the state, along with the AME Church of Florida (consisting of more than 400 churches), National Baptist Convention USA, Inc., Cooperative Baptist Fellowship, and Ecumenical Poverty Initiative:*  
<http://flacp.org/wp-content/uploads/2014/02/Florida-Faith-Letter-Feb-7-2018.pdf>

*Listen to the **audio press conference** (and read quotes below) of a former payday borrower, his pastor and other Florida faith leaders:* <http://bit.ly/2EektKA>

HB 857 and its companion in the Senate, SB 920, would allow loans twice as large as the current limit, up to \$1,000, with 60- to 90-day terms and annual interest rates over 200%. According to an analysis from the Florida Office of Financial Regulation, a borrower in debt for 60 days currently pays [\\$110 in fees for \\$1,000, but would pay \\$214.68 under SB 920](#). And payday loans financially devastate borrowers because they are structured to keep them paying the triple-digit fees over months or years, whether they are short or longer-term loans.

**Faith leaders and a former payday borrower spoke out in a press conference last Thursday** (<http://bit.ly/2EektKA>):

“On behalf of the millions of people that have actually been involved in this type of predatory lending, you start off as a customer but you eventually become a victim...I quickly found one \$425 payday loan put me in a spiral to where when the next payday came the money that I had to pay to the loan would make me short somewhere else...It is just a treacherous trap and a juggling game. You are not borrowing from Peter to pay Paul, you’re borrowing from the devil to pay the devil.” -- Elder Wayne Wright, Mt. Olive Primitive Baptist in Jacksonville.

“I serve in a community in one of the toughest hit areas of ... I represent 236 churches throughout Florida where we have looked in our communities and found that payday lending is set up in communities least able to afford opposition to those lenders... This bill would not reform payday lending even though it is badly needed, but instead...it would add another type of high-cost debt trap payday loans to the toolkit of payday lenders.” -- Pastor Lee Harris, Mt. Olive Primitive Baptist in Jacksonville.

“It is an injustice to punish those or to box persons in who find themselves needing assistance.” - Bishop Teresa Jefferson-Snorton, 5th District of the CME Church, Florida.

“I consider it an economic justice issue, it is a consumer protection issue for the poor and often the not-so-poor, who need a quick loan to cover some unexpected expense, but they’re invited to their own financial funeral and interment.” -- Bishop Adam J. Richardson, 11th District of the AME Church, Florida.

“Why are Florida lawmakers listening to payday lenders and not to those of us who have our fingers on the pulse of the communities that are hardest hit by predatory lending?” -- Rev. Rachel Gunter Shapard, Cooperative Baptist Fellowship of Florida.

“It seems it’s open season for vultures to take advantage of the most vulnerable members of our society... The payday lending industry raked in more than \$300 million last year and we need to think of that \$300 million as peanut butter and jelly sandwiches for our poorest children.” -- Rev. Dr. Russel Meyer, Florida Council of Churches.

**In a letter, civil rights attorney Benjamin Crump expressed opposition to the bill:**

“Payday lending puts the burden of extremely high interest rates on people of extremely low means. And these loans offer no value but instead serve to systematically redistribute wealth from low-wealth communities to large, corporatized predatory lenders. And as with so many other issues, this is one that has a devastating impact to the fabric of Black and Latino communities... We cannot in good conscience let a sophisticated means of exploitation, especially one that can be resolved with such a simple solution, continue to destroy good and decent people. Florida lawmakers should reject this new product and instead pass a usury cap on payday loans – just as people across this state are asking them to do.”

**Rev. James T. Golden, social action director of the AME Church in Florida, gave committee members an impassioned plea:**

“The reality is that on a per annum basis, all of the products that have been produced for consideration by the legislature in Florida have triple-digit interest rates. While we debate this in the two hours that have been granted, there are people who have to live with this for six months, or for a year. And the reason we complain is that they live with this much longer than that because these products keep them in debt, keep them from being able to move beyond the sad state that they find themselves in....

...I find it very difficult to be sympathetic to multi-millionaires sitting in here saying to you, we need help, when you all know that the resources this preacher and I bring to bear on this situation doesn’t come with one campaign contribution. But it comes with a heartfelt plea to you to do the right thing by the people who couldn’t come here today. Do the right thing by the people who couldn’t lift their voices because they’ve been too busy paying off these loans they’ve gotten from the industry.

