

## **A St. Vincent de Paul Council Story about Pay Day Loans**

Holy Spirit Conference of St. Vincent de Paul is a member of the North Alabama Council of St. Vincent de Paul. As a Council, we are organized to accomplish things that would be harder for an individual church Conference to do. These include works of mercy like the Wheels for Working Program, the Walk for the Poor, and the (End) Payday Loan Program. It also includes opportunities for growth such as our yearly Day of Recollection, workshops and training sessions, and just sharing our stories and ideas with Vincentians from other parishes and towns.

This story comes from Tim, of the St. William Conference in Albertville. He had gone to visit a family who had called for help, and found the main reason this working couple was in such financial trouble was a Payday loan they had taken out two years previously. They were paying \$220 a month in interest only, and the amount they owed kept growing and growing. They were referred to the Council's (End) Payday Loan Program, and found to be good candidates for that program. Their debt to the PayDay Loan Sharks was paid off in full and the wife in tears said it was the first time in two years she and her husband could stand up straight with that weight off their backs. SVdP paid their first payment to our partner in the program, Redstone Federal Credit Union, which arranged for them to pay the rest of their debt at a monthly fee they could afford at just 1% interest. Tim made monthly calls to encourage them, and two years later, they are now debt-free.

We have had great success with our (End) Payday Loans program, with just 1% of those we have helped defaulting. But the problem is so prevalent we can only help a small percentage of people. A full 55% of working Alabamians do not have \$2000 in savings. Almost 10% of the employed Alabama workforce take out a Pay Day Loan when a crisis arises-. New legislation is desperately needed. Alabama is the state with the third highest number of PayDay Loan Vendors, with 34,615 Alabamians taking out loans each week. The money is due back in 10 days at an interest rate of up to 456% APR. Of course, most (85%) borrowers do not have the money to pay it back in 10 days, and they are encouraged to pay the interest and roll over their loan. Now they owe the amount borrowed and the roll-over fee, all of which gets charged interest for the next 10 days. Soon they are in a spiral of ever deepening debt. Every year, poor Alabama borrowers pay over \$101.6 million in fees that do nothing to decrease their principal debt. A minimum wage worker pays 15% of his weekly salary just to roll over his \$500 loan. When they can no longer pay the interest - usually by this time they have paid the original amount several times over - their paychecks are garnished, they are threatened with jail, and any bank holdings and real property is seized.

### **WHAT CAN WE DO TO HELP SOLVE THIS PROBLEM?**

Join us in contacting your state senator and representative and letting them know you are strongly in favor of reform! A cap of 34% interest and a minimum of 30 days before the first payment is due is the "fair" standard the US government sets for anyone lending to a military member. . The payday loan lobby is strong and powerful, contributing \$400,000 to the campaigns of chosen committee chairs in a 4 year election cycle. Legislation has been proposed for the last 10 years, including 2019 when, after passing the senate, a bill to cut the maximum APR to 255% died in a house committee without being voted on. - (published spring of 2019)

AUG. 2020 UPDATE: This year another bill in the Alabama legislature was killed in committee. The bill was just to extend the minimum time before the first payment is due from 10 days to 30 days! On the national level, currently there is a bill, HR5050, that has been in a House of Representatives committee for many months, that would extend the protections given to our armed forces members to everyone else, capping interest at 34%..