

Faith for Just Lending

a coalition to end predatory payday lending

Faith Leaders Call for Borrower Protections During COVID-19 Crisis

Predatory Lending: A Pandemic We Can't Afford

In the wake of the major economic disruption caused by the coronavirus pandemic, many Americans have lost their jobs, incomes, and social support. In response, Congress enacted an unprecedented program of relief. But government and civil society must also act to prevent a major spike in predatory debt traps that could undo, for many low-income families, much of the positive impact of the CARES Act.

Since its creation in 2015, Faith for Just Lending has called for limits on predatory lending. The current economic crisis makes such protection all the more necessary. Our nation prohibits profiteering and price gouging in times of emergency. We should also prohibit usury and economic exploitation.

Collectively our organizations and denominations represent millions of Christians across the country. Our churches and charities are actively engaged in efforts to end poverty, alleviate suffering and promote opportunities for all people to flourish. We are deeply concerned about how the current crisis will impact the working families and vulnerable communities we serve. In previous crises, we have seen payday and car title lenders take advantage of borrowers in their time of need.

Faith for Just Lending calls upon government to prohibit usury and deceptive lending practices during the COVID-19 crisis.

We call upon Congress to include in the next stimulus bill an extension of [the protections](#) of the Military Lending Act, including a 36% rate cap, to cover all new loans made to Americans during the coronavirus pandemic crisis. Congress should also pass the [Veterans and Consumers Fair Credit Act](#) to ensure that all Americans are afforded this protection on a permanent basis.

As many working Americans suddenly find themselves underemployed or unemployed, a 36% rate cap is essential to ensuring that lenders do not withdraw funds that the government has intended for economic impact relief (i.e., stimulus checks) or unemployment relief.

Federal Agencies: We call upon the **Office of the Comptroller of the Currency (OCC)**, the **Federal Reserve Board**, the **Federal Deposit Insurance Corporation (FDIC)**, and the **National Credit Union Administration (NCUA)** to offer clear guidance to financial institutions that emphasizes that the current economic crisis is not an opportunity for banks to make high cost, predatory payday loans or high-cost installment loans. In particular, the OCC, Federal Reserve, and FDIC should advise banks to keep interest rates on all loans to no more than 36% interest, and the NCUA should not expand loans permitted to exceed the federal 18% interest

rate cap applicable to federal credit unions. High rate loans during a financial crisis will only exacerbate financial distress, not relieve it.

In addition, Faith for Just Lending continues to call upon the **Consumer Financial Protection Bureau (CFPB)** to implement its “Payday, Vehicle Title, and Certain High-Cost Installment Loans” rule as finalized, without weakening or eliminating the ability to repay provisions. Requiring a lender to make a determination of a borrower’s ability to repay is a longstanding principle of the U.S. banking system. A strong rule must not only have strong upfront underwriting requirements, but effective back-end protections against repeated flipping of the loans as well. We ask that the ability to repay standard be upheld and not eliminated from the finalized payday rule.

State Legislatures: Faith for Just Lending urges state legislatures, as they pass their own emergency relief bills, to explore how to protect people who are economically vulnerable from predatory lenders, such as enacting a 36% rate cap for all payday loans made during this time if an existing state rate cap of 36% or lower does not already exist.

Faith for Just Lending calls upon lenders to extend loans at reasonable interest rates based on ability to repay within the original loan period, taking into account the borrower's income and expenses, during the COVID-19 crisis.

Banks, credit unions, and online lenders: Faith for Just Lending urges all banks, credit unions, and online lenders to offer fair and responsible small dollar loans, at rates not exceeding 36% APR, based upon a borrower’s ability to repay. These protections must also extend to small business loans that are not guaranteed by the Small Business Administration.

How Predatory Loans Entrap Borrowers

Nearly 16,000 payday and car title loan stores operate nationwide. Taking advantage of loopholes and a weakening of traditional usury laws, many of these lenders now offer loans at 300% APR and higher.

In order to secure a payday loan, a borrower typically must promise to repay the entire loan at an exorbitant interest rate on the next payday. The borrower must then give the lender priority access to his or her bank account. This enables the payday lender to drain the borrower’s account, leaving insufficient funds to cover rent, utilities, food or other necessities. If a borrower becomes unemployed, the lender may gain access to unemployment or other crisis relief benefits that have been deposited in the account. To resolve this bigger problem, the borrower must request a repeat loan, at the same high interest rate. Soon the borrower is trapped with no way to escape the debt spiral.

Principles for Just Lending

Scripture condemns usury and teaches us to respect the God-given dignity of each person and to love our neighbors rather than exploiting their financial vulnerability. Thus, just lending is a matter of Biblical morality and religious concern. Fairness and dignity are values that should be respected in all human relationships including business and financial relationships. We believe:

- Individuals should manage their resources responsibly and conduct their affairs ethically, saving for emergencies, and being willing to provide support to others in need.
- Churches should teach and model responsible stewardship, offering help to neighbors in times of crisis.
- Lenders should extend loans at reasonable interest rates based on ability to repay within the original loan period, taking into account the borrower's income and expenses.
- Government should prohibit usury and predatory or deceptive lending practices.

In the midst of the public health and economic crises brought about by the COVID-19 pandemic, there is an opportunity to protect financially vulnerable Americans from further economic devastation. While individuals focus on caring for their families' health and financial needs during this crisis, and as churches respond to the immense human and financial need of their congregations and communities, we urge Congress, regulatory agencies, state legislators, and lenders to do their part to enact policies that promote just lending and to offer responsible products that do not exploit families in their time of greatest need.

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