

Groups call on governor to veto bill expanding triple-digit interest predatory lending



Governor John Bel Edwards:

The undersigned organizations have serious concerns about Senate Bill 381, the Louisiana Credit Access Loan Act, which would legalize larger payday loans (also known as installment loans) with longer terms, thus making Louisiana's payday lending problem even worse than it is. Under SB 381, loans up to \$1,500 for terms of 3 to 12 months at annual interest rates that can reach over 300% would be allowable.

Payday lenders drain more than \$145 million in fees each year from Louisiana residents through triple-digit interest rate payday loans. Lawmakers should expect SB 381 to increase that fee drain, since the bill would put an additional tool in the hands of predatory lenders. In Louisiana, 79% of the state's payday loans are lent to borrowers on the same day they paid back their previous loan, while 87% of loans went to borrowers who re-borrow within two weeks of paying back their old loan. Put another way, these loans are a debt trap. Extending and increasing installment loans, as SB 381 would permit, would allow lenders to strip away even more money from the pockets of Louisianans with a variety of new interest-bearing fees.

Under current law, payday lenders make loans that are less than \$350 due in 60 days or less. Some finance companies can already make installment loans of upwards of \$1,000 with double-digit interest rates. This bill will allow another product that is a longer and larger debt trap. Installment lenders would change state law by allowing loans up to \$1,500 for terms of 3 to 12 months, at annual interest rates upwards of 300%.

National installment lenders are seeking new opportunities to expand their profits - and are hoping to use bills like SB 381 to extend their ability to take advantage of desperate borrowers in states like Louisiana. Rather than helping people make ends meet or pay for emergencies, payday loans cause people to experience a worsening of their financial problems, including unpaid bills, closed bank accounts, and bankruptcy.

African-American households in Louisiana are twice as likely to have used financial services like payday lenders than white households. These harms would still persist with the product legalized under an installment loan provision. Under SB 381, payday lenders would still have access to borrowers' bank accounts, which drives the cycle of repeat loans and exploits low income communities, and in fact, would be entitled to a variety of new fines and fees - some of which would be charged monthly while borrowers try to repay the loan.

Louisiana should be reining in these devastating practices, not expanding them as SB 381 will do. The last thing Louisiana families need is to be trapped in more high-cost debt that is nearly impossible to escape. We ask that you please veto SB 381 to ensure that installment loans are not expanded, and predatory fines and fees are not legalized, in Louisiana.

Sincerely,

Louisiana Budget Project

Center for Responsible Lending
The Power Coalition for Equity and Justice
The Middleburg Institute
Together Louisiana
Capital Area United Way
AARP
Louisiana Progress Action
United way of Southeast LA
The Louisiana Conference of Catholic Bishops
Hope Policy Institute
NAACP Louisiana State Conference
Louisiana Partnership for Families and Children
Southern Poverty Law Center
PREACH
Prosperity Now
Voice of the Experienced (VOTE)
Workplace Justice Project
Wavelength Psychological Services, LLC
Consumer Federation of America
National Consumer Law Center
Americans for Financial Reform
Arkansans Against Abusive Payday Lending
Center for Economic Integrity
Hoosiers for Responsible Lending
Indiana Community Action Poverty Institute
Concern Citizen- Juile Schwam Harris
Concern Citizen - Gail Hurst