



Predatory Lending

What is predatory lending – what do the facts say?

- Predatory lending is the practice of making loans on abusive terms such as extremely high interest rates, typically over 200 percent annually. Car title loans require a borrower to hand over to the lender the title to his or her car so that if the borrower defaults on the loan the lender can make a profit by foreclosure and selling the car.
- Victims of predatory lending tend to be the poor, the less educated, racial minorities and the elderly.
- Virginia has become the “east coast capital of predatory loans, as many surrounding states have barred or severely limited predatory lending practices.”
- Payday lenders paid out \$4.5 million to lobby Congress in 2011 and \$220,000 to lobby legislators in Virginia in 2011.
- Virginia passed positive payday loan reforms in 2008 in the Payday Lending Act, capping payday loans at 36 percent interest, but these have largely been replaced by triple digit car title loans and largely unregulated open end loans that range from 250-360%.
- Payday lenders as well as major banks are making large profits at the expense of the poorest and most vulnerable in our communities.
- These loans lock the poor in vicious cycles of poverty, including depriving some of essential transportation when their cars are repossessed.

What does the Bible say?

Both the Old and the New Testament bear witness to God’s strategic concern for the poor, the vulnerable, and the needy:

- If you lend money to my people, to the poor among you, you shall not deal with them as a creditor; you shall not exact interest from them (Exod 22:25, NRSV).
- Woe to those who make unjust laws, to those who issue oppressive decrees, to deprive the poor of their rights and withhold justice from the oppressed of my people, making widows their prey and robbing the fatherless. What will you do on the day of reckoning, when disaster comes from afar? (Isa 10-1-3, NIV).
- He has put down princes from their thrones and has exalted the lowly. He has filled the hungry with good things and has sent the rich away empty (Lk 1:52-53, NRSV).
- This is my commandment, that you love one another as I have loved you (John 15:12).

What does The United Methodist Church say?



- John Wesley preached that in our efforts to gain money we should never hurt our neighbor: “We cannot, if we love everyone as ourselves, hurt anyone *in his substance*. We cannot devour the increase of his lands, and perhaps the lands and houses themselves, by gaming, by overgrown bills . . . or by requiring or taking such interest as even the laws of our country forbid . . . None can gain by swallowing up his neighbor’s substance, without incurring the damnation of hell!” (Sermon on “The Use of Money”)
- “Financial institutions serve a vital role in society. They must guard, however, against abusive and deceptive lending practices that take advantage of the neediest among us for the gain of the richest. Banking regulations must prevent the collection of usurious interest that keeps people in cycles of debt. Personal credit issuing institutions must operate with responsibility and clarity that allow all parties to understand the full terms of agreements.” *Social Principles of The United Methodist Church 2012*, ¶163.J.

What do You say?

- What you say depends on what you believe and know – keep growing in your faith and becoming more informed.
- Encourage groups in your church to study biblical teachings on lending and our obligation to the poor.
- Encourage your congregation to establish a Jubilee Assistance Fund as an alternative to payday and car title loans, similar to what the Virginia United Methodist Credit Union has developed.
- Work with others in your community to explore options for low-interest micro-loans as alternatives to payday and car title loans.
- Urge your state legislators and the Governor to support a 36 percent APR cap on all loans, and to refuse campaign contributions from payday and car title lenders.
- Find out if the bank(s) where you do business help to finance predatory lending, request those that do participate in predatory lending to cease doing so, and inform banks that do not respond, or respond negatively, that as a customer you will look for other financial institutions to handle your accounts.