

# Don't Give Predatory Lenders Another Loophole. Vote No on SB 855.

By **Blue Virginia** - February 11, 2020

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**by Rev. Charles Swadley, a retired United Methodist Pastor and former board chair of the Virginia Interfaith Center for Public Policy**

On Monday, the full Virginia Senate passed historic, comprehensive predatory lending reform by a healthy margin of 23-16 with bipartisan support. The reform bill championed by Senator Locke and many others will usher in a new era of consumer protections, fair loan terms, and widespread access to affordable credit. The companion legislation sponsored by Delegate Lamont Bagby has already passed the full Virginia House, also with strong, bipartisan support, 65-33. The Attorney General and the Governor's office have testified favorably in committee hearings on the policy. It is supported by a broad coalition of community leaders and is overwhelmingly popular with Virginia voters of both parties. After years of the predatory lending industry flexing its power in Richmond, our legislature is poised to win a long-overdue victory for consumers.

But the predatory lenders are making a final, desperate move to find a workaround that would let them continue to drain millions of dollars from Virginia communities.

The industry has resurrected a bill, SB 855, that would create a new loophole for open-end predatory lending in Virginia by adding a brand-new chapter to its code. This bill allows loan terms that shock the conscience: If you borrow \$1,500, you would owe \$4,571. This is structured as a 237% APR credit card. That simply should not be authorized in Virginia. This bill benefits only predatory lenders, not consumers. It creates a new loophole that lenders will use to undermine the robust protections that have just passed the Senate.

For those following closely, this move is straight out of the predatory lending industry's playbook. When legislators made limited changes to our lending statutes in 2008 and 2009, high-cost lenders sought a loophole they could use to avoid consumer protections, and now they're doing it again.

The Online Lenders Alliance, a group representing payday lenders that charge rates well in excess of 200%, many of whom have been sued for making illegal loans, is pushing this bill. Their legislation would undermine consumer protections that Virginia voters strongly support. 84% of Virginia voters believe rates should be capped at levels lower than those charged today, but SB 855 would ignore their will. Payday lenders have a 2% favorability rating with Virginia voters, and all major payday lenders are headquartered elsewhere, meaning their profits leave the commonwealth, so it's hard to see why legislators would ignore voters' strong consensus to do a favor for that group.

Virginia is on the cusp of generational change that will end the debt trap business model while ensuring widespread access to affordable credit. We must not snatch defeat from the jaws of victory. But that's exactly what SB 855 would do, saddling someone who takes a \$3,000 loan with a repayment of \$8,197.50. Unless that's the kind of loan legislators think is fair for their constituents, they should vote no on the 200% APRs and new loopholes of SB 855.

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