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Virginia is the Wild West for Predatory Lending

by the Rev. Rodney Hunter

Feb. 5, 2020 -- Predatory lending is personal to me. I've pastored in the Richmond area for more than 30 years. Many members of my congregations and surrounding communities have found themselves locked into predatory loans that they struggle to repay. They become trapped in a debt cycle that harms them for years.

Although each story is different, the outcome is similar. Usually a worker earning poverty wages has an unexpected expense – a tire needs replacing, a child goes to the emergency room, the person needs to make an unexpected trip to see family, or some other relatively normal life situation occurs. The person is living close to the edge financially and they don't have that extra \$300, \$500 or \$1000 in savings, and their credit card is already maxed out.

People are embarrassed that they can't make ends meet. They see the advertisements about car title loans or payday loans and they apply – fully expecting to pay the money back quickly. Few of us read the complex and often confusing fine print in loan documents and so most folks don't realize how exorbitant the interest rates will be. And again, they fully expect to pay their loan off quickly.

But life happens. There are more expenses and it is hard to keep up with the payments, usually because people are already living close to the edge.

If people come to the church before they've taken out one of these predatory loans, we can usually find ways to assist them or refer them to better lending options. But more often, people only turn to the church for help once they have fallen victim to terribly abusive predatory loan companies and they see no other alternatives. They are mired in debt and locked in an abusive lending system.

The typical title loan borrower takes out a loan of \$1116, but has to repay more than \$2700. Sometimes people lose their cars, because Virginia has one of the highest vehicle title loan repossession rates in the nation. A typical line of credit loan of \$500, paid back over 12 months, will ultimately cost close to \$2000.

Virginia is the Wild, Wild West for predatory lending. We allow lending companies to charge 299 percent plus fees on lines of credit for smaller loans and unlimited interest on loans above \$2500. And it doesn't have to be this way. Lenders charge Virginia residents three times more than the same companies charge people in other states. If lenders are regulated, then borrowers could get a loan with reasonable interest rates and the lender could still make a profit.

In the upcoming General Assembly, we must find ways to curtail this unscrupulous lending sector. With more than two dozen predatory lenders in the Richmond area, legislators who turn a blind eye to the problem are harming my congregants and countless others.

Thankfully, Senator Mamie Locke (D-2nd) introduced a comprehensive predatory lending reform bill designed to cap interest rates, place limits of the percentage of one's paycheck that can be used for repayment and allow borrowers to spread payments out over time. These reasonable reforms would put more than \$100 million back in the pockets of Virginia families every year. Because most of Virginia's payday lenders are out-of-state companies, the dollars they take from Virginians don't help Virginia. If borrowers could keep those dollars, they would be spent in Virginia and would stimulate our economy.

I join many other faith leaders across Virginia who are working with advocates like the Virginia Poverty Law Center and the Virginia Interfaith Center



for Public Policy, to support legislation to regulate predatory lending in the coming General Assembly.

Senator Locke's bill is moving through the General Assembly and will likely go to the floor this week. I call upon the members of the General Assembly to support this important legislation.

As a pastor, I am praying that our Commonwealth will do more to alleviate this unending cycle of debt that robs them of financial stability. Virginia needs to help my congregants and all Virginians address the predatory lending crisis. Now is the time.

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