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Written Testimony in Support of SB 218, Payday Loan Reform
Senate Financial Institutions and Insurance Committee, Sen. Jeff Longbine, Chair
March 24, 2021

Mr. Chair, Members of the Committee:

Thank you for the opportunity to submit testimony today. I am Rabbi Moti Rieber, and I serve as executive director of Kansas Interfaith Action, a statewide, multi-faith issue-advocacy organization that "puts faith into action" by educating, engaging and advocating on behalf of people of faith and the public regarding critical social, economic and climate justice issues. KIFA is a member of Kansans for Payday Loan Reform, a statewide network of over 20 faith, community, and labor organizations supporting reform of Kansas' largely unregulated payday loan industry.

Payday loans are short-term, high-interest loans that in most cases must be paid in full two weeks later. Borrowers are commonly people who don't have access to regular modes of banking, vulnerable people who are sold a bill of goods by predatory lenders offering easy money. We find that these offices sprout up like mushrooms in poor and minority neighborhoods -- that's where the vulnerable people are.

What happens is that high interest rates, short payback periods, and recurring fees lock people into a cycle of debt that they then cannot escape. The majority of payday loan borrowers use them for everyday basic expenses that don't go away in two weeks, such as rent, utilities, and groceries, but when they get caught in the cycle of debt they are more likely to be delinquent on their other bills, to delay medical care, or to declare bankruptcy.

This problem is only worsened by the current pandemic and recession: where shortened hours and layoffs have put people in financial distress; where unemployment insurance payments are delayed; where federal support takes months to come; and where people, to keep their standards of living up, to keep food on the table, the car on the road and the lights turned on, turn to the payday lender, with all the negative consequences I have described.

Often people will come to churches or other congregations looking for financial help, which many provide, only to have the pastor find upon inquiry that they are stuck in an un-repayable payday loan, so that the church's money would go not into really helping the person and their family, but only into staving off the lender.

This current average interest rate on a payday loan is 391%. 391%! There's a word for this: usury -- the practice of lending money at unreasonably high rates of interest -- and it's spoken about in the Bible (Exodus 22:25): "If you lend money to one of my people among you who is needy, do not treat it like a business deal; charge no interest." In our system we expect lenders to charge interest, but the unregulated and astronomical interest rates charged by the predatory loan industry fall into the definition of "usury."

SB 218 would limit the annualized percentage interest rate on these loans to 36%, higher than what a bank would charge but far below 391%. It would expand payback periods and base repayment rates on the borrower's income, each of which would limit recurring fees. The bill would have a positive impact on the lives of thousands of Kansans, bringing them back from the brink and helping them return to financial stability.

The predatory loan industry will claim that their businesses wouldn't survive such measures. But we have seen in other states where such reforms have been enacted that access to short term credit still exists. If these providers won't do business under fairer conditions, then maybe they shouldn't be in business here. If they leave, others will move into the state to take their places. Some of them are testifying here today.

Members of the committee, legislators and the public can tell the difference between fair and exploitative business practices. The payday lending industry is the latter. When companies take advantage of a person's financial vulnerability, the government has a duty to act. SB 218 would help thousands of Kansans escape a debt trap that is unfair, exploitative, and unnecessary. We look forward to working with this committee to pass this bill, which we believe should have wide bipartisan support, in 2022.

Thank you for your attention.