



Rodriguez: Payday lending leads to cycle of debt

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By [MOST REV. PLACIDO RODRIUEZ, CMF](#)

FOR A-J MEDIA

Recently the subcommittee on oversight and investigations of the U.S. House Committee on Financial Services held a hearing in Washington, D.C., about federal attempts to reign in the worst practices of short-term lenders (i.e., pay day and auto title lenders) who prey upon on poor and working families.

If you are one of those families or know someone who has become trapped in debt because of these loans, you would have been shocked and disappointed.

The hearing, which included Lubbock's U.S. Rep. Randy Neugebauer, assailed the U.S. Consumer Financial Protection Bureau and its attempts to reign in the predatory practices of the payday and auto title lending industry. We in Lubbock have become all too familiar with these lending outfits, which spend lavishly on advertisements and promotions that imply these loans are essentially "easy money," but which in reality carry excessive interest and fees — sometimes totaling more than 600 percent interest.

Given the high number of payday lending consumers who are clients served in our Catholic Charities ministry, I was deeply disappointed in the hearing.

I am concerned as a pastor with both the usurious nature of these loans, and the everyday experience of those we serve in our charitable ministries. All four of the Gospel writers included references to the anger Jesus had for the money changers in the temple. It is this same righteous anger that motivates my brother bishops and I to cry out for justice for those exploited by this industry.

In recent years, those served by Catholic Charities have increasingly turned to payday and auto title loans to meet basic or emergency needs.

We have noticed that while we are providing \$300 cash assistance to a family for food and utilities, that same family has payday loan debt of an average of \$455. In effect, our assistance was helping a client pay for a need such as electricity or water, so that our client could continue to pay off a payday lender.

Statewide, we have found that nearly a third of those we served in financial assistance programs had used payday and auto title loans and that almost half stated the financial stress caused by these loans led to their seeking assistance from us. In Lubbock, if a borrower takes out a \$500 loan, with average refinances, it can cost that borrower \$3,200 to repay due to excessive fees.

The cycle of debt created by these loans prevents the very self-sufficiency families seek, which compels us to speak out on behalf of the struggling families we serve, especially in light of the skewed and misleading congressional hearing. It is poor families in Lubbock who are under assault, not the billion-dollar payday lending industry, which spent more than \$6 million on lobbyists and campaign donations last legislative cycle.

It seems that they are getting their money's worth while the poor and vulnerable continue to lose.

We have worked with a coalition of interfaith and community partners across the state to urge the state Legislature to reform payday and auto title lending.

Yet each legislative session, the industry hires up every hired gun lobbyist in Austin. Last session they spent \$6.3 million on lobbyist and campaign contributions just to fight reasonable regulations that would still allow an annual percentage rate of 185 percent.

Across the state, my brother bishops have supported zoning and regulatory ordinances passed by more than 33 cities such as Amarillo, Dallas, San Antonio, Midland and Houston, in order to provide some basic protection for consumers. The restrictions on expansion and extension of consumer credit are critical for our residents.

We understand and support a free market, but let's be honest: Borrowers using payday loans are not shopping around — they are poor and desperate, and lenders capitalize on that desperation for huge profit at the expense of poor families. That's not free market — that's exploitation and it's hardly an "assault" to fine the lenders for these predatory practices.

Lending law should require loans are fairly structured for both borrower and lender success. The lending playing field must be leveled to assure the market operates fairly with rules that apply across the board to all lenders. It is up to us as the church to speak up and demand action by the state, and until that time, strong CFPB rules and local ordinances offer part of the solution.

In the coming weeks, I'll be working with local parishes and community leaders to call upon our city to stand up for the poor and pass the unified ordinance that so many of our sister cities have passed. I hope you and the rest of the people of Lubbock will join me.

THE MOST REVEREND PLÁCIDO RODRÍGUEZ, *CMF*, is the bishop of the Catholic Diocese of Lubbock and leader of 135,894 Roman Catholics in the area.

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