

I am the Rev. Dr. Frederick Douglass Haynes, III.

I serve as the Senior Pastor of Friendship-West Baptist Church in Dallas, Texas and Chairman of the Board of the Samuel DeWitt Proctor Conference, a nationwide movement of pastors and community activists fighting for spiritual renewal and social justice . I am pleased to represent Friendship-West as well as othe churches in Dallas and across the nation whose communities have been targeted, oversaturated and economically overwhelmed with payday loan and auto title loan stores.

Several of my colleagues in pastoral ministry and I became alarmed as buildings once occupied by thriving restaurants and bank branches were taken over by payday and auto title loan stores. In the last 10 years, 20 payday and auto title loan shops opened within a five mile radius of our churches. Many of these stores are located next door to each other. A community that was already suffering as a food and job desert was and is being overrun by these predatory stores. It appeared that our underserved and under banked community was being intentionally targeted for these high cost, debt trap loans. Our concern was confirmed as we heard from members of our churches and residents in the community who were financially held hostage by these "loans." They confessed that in a situation of desperation they had sought to get a loan that eventually became a trap. They made payments, every other week or monthly, only to get deeper in debt. They were in a financial hole and upon getting a payday or car title loan, received a shovel instead of a rope.

As a pastor my heart went out to many who were victimized by these predatory practices. Here are some of the unfortunate experiences shared by members of our churches and citizens in our communities. A recently widowed 70 year old grandmother took out a \$300 loan. She ended up paying \$800. She's always been fiscally responsible but "life happened" and she had to take out this loan. She paid back the loan in full but she had to roll the loan over several times, ultimately paying much more in interest than she had borrowed. I'm representing the 23 year old college student, whose parents are deceased, but he was determined to get his education. He needed to purchase books for his classes and what was a \$300 loan ended up costing him over \$600. I could go on with other heartbreaking experiences that have been shared with me, but suffice it to say all of them were hoping for a life preserver, but they were given shackles.

Payday loans in Texas carry rates of 500% annualized interest. Car title loans are in the range of 250-300% APR range. The Texas Office of Consumer Credit shows that 61% of balloon payday loans are refinance loans that are taken in order to repay the previous unaffordable loan. Every week car title loans result in 847 car repossessions. A resident of our community shared with me that he had a car title loan that began as a \$4000 loan. The car was repossessed when he couldn't escape the debt trap but he had paid \$8200 in the process.

A coalition of churches and community groups sought to close the loophole in the state usury law in Texas that allows these businesses to charge over 500% in interest but we were unsuccessful and the shackles disguised as a life preserver remain in place. Undaunted and determined to free our community from these predatory practices we petitioned the city government in Dallas to rein in the destructive dealings of the payday and car title lenders. The Dallas City Council enacted an ordinance that established a limit on the number of times a loan can be rolled over and requires significant principal to be paid down with each renewal. More than 30 municipalities in Texas have followed this model of justice and relief, reflecting the serious concerns held by many Texans about payday and car title loans.

Friendship-West has sought to be a solution to this problem, which is symptomatic of a larger problem of greed and economic exploitation which has produced a widening wealth gap that threatens the fabric and future of our nation, by launching a credit union and partnering with another church in our community that held a federal credit union charter. We now have several years of banking experience and we now offer Liberty Loans, microcredit to members in need who are able to afford a small dollar loan. We offer loans of up to \$500 for terms of 6 months and 28% annual interest, 19% interest for members, with a reasonable application fee. There has not been one defaulted loan and all of those who are benefitting from this loan are paying the loan back on schedule because they can afford it. It's good business. It has empowered the powerless it is moral.

We have taken a stride toward economic freedom in Dallas, but we still have a long way to go. The City ordinances have been helpful but they can't cap the rates on these burdensome loans. Furthermore, these ordinances in Dallas don't cover all Texans, not to mention citizens throughout our country who find themselves trapped in underserved communities with limited opportunities that are preyed upon and inundated with payday and car title loans as their only options.

I maintain that it is vitally important for this committee to be morally outraged and attend to the devastating harm caused by payday and car title lenders who have preyed upon the vulnerable and in the process they have financially trapped individuals, stressed families while economically crippling communities. This is immoral and an affront to faith that demands that we protect "the least of these" and stand against all forms of usury.

Nationally, in states that permit these loans, payday loans average 322% APR, typically due two weeks later, while auto title loans average 300% APR, usually due in one month. The bait is marketed as a life saver but it is a debt trap. We can't excuse this as the practice of a few bad apples who are greedy; this is the industry standard. Three-fourths of all payday loans are from borrowers with more than 10 loans per year. They are trapped in an economic snare. The average payday borrower spends seven months of the year trapped in these loans that are supposed to be for two weeks. The downward cycle of debt has long term economic harm. Payday borrowers are more likely to lose their checking account due to overdrafts, fall behind on medical and other expenses, and even file bankruptcy. This is immoral and

unacceptable. To respond to a desperate person and give them a loan that takes them from bad to worse is a slap in the face to human decency and dignity.

I am especially appalled by the harm done to communities of color that have been historically exploited and suffer from a lack of economic opportunity. Payday loan borrowers are disproportionately African-American. The research reveals, sadly, that payday lenders target these disadvantaged communities. This predatory industry adds to the problem of the racial wealth gap in this nation. I recognize that some have been helped by this industry but they are the exceptions. Too many are imprisoned. If there's not justice for all we don't have justice at all.

The CFPB's proposal protects against loan rollovers that perpetuate the debt trap. These protections are desperately needed because of the very nature of payday and car title loans. Lenders have direct access to the borrower's checking account allowing the lender to be repaid without regard for other responsibilities the borrower may have. This is a depraved business model that cannot go on. L

We want access to credit, but it must be quality credit. Anything less adds to the stress of the desperate and needy. Well-crafted and compassionate legislation can weed out the predators and enable more responsible and reputable lenders to thrive while rendering a helpful service to communities in need. We must end the debt traps, protect the vulnerable and eliminate the predators so that all can experience "life, liberty and the pursuit of happiness."