PREDATORY LENDING EXPLOITS THE POOR

CAP INTEREST RATES IN NEBRASKA BY VOTING 'FOR' BALLOT INITIATIVE 428

WHAT DOES THE CATHOLIC CHURCH TEACH ABOUT LENDING PRACTICES?

Catholic social teaching both recognizes that it is morally acceptable to earn reasonable and equitable profits in economic and financial activities, and outright condemns the practice of lending money at unreasonably high rates of interest (also known as usury).

The Catechism of the Catholic Church says the following about usury: "Even if it does not contradict the provisions of civil law, any form of unjustly taking and keeping the property of others is against the seventh commandment: thus, deliberate retentions of goods lent or of objects lost; business fraud; paying unjust wages; forcing up prices by taking advantage of the ignorance or hardship of another" (paragraph 2409). This teaching echoes God's loving actions throughout Scripture where He tends to the needs of the poor and condemns those "who trample the needy and do away with the poor of the land" (Amos 8:4).

"CONTINUE TO COMBAT USURY, GIVING HOPE TO INDIVIDUALS AND FAMILIES WHO ARE ITS VICTIMS"

ST. JOHN PAUL THE GREAT

HOW DOES PAYDAY LENDING WORK IN NEBRASKA?

Nebraska law currently allows payday lending operators to issue small-dollar loans to consumers at unreasonable rates. Payday lenders can charge an annual percentage rate (APR) of over 400% on a $425 loan that is typically due in full two weeks later. When borrowers are unable to repay their loan after two weeks, they usually have no choice but to take out a second loan to repay their first. This inability to repay a loan can lead to a vicious "debt cycle" which can continue for years.

The Nebraska Department of Banking and Finance maintains data on payday lending practices. Their 2019 annual report reveals that the average borrower was charged 405% APR on a $362 loan and was trapped into 10 loans in a single year. In 2019 alone, payday lenders have extracted over $30 million in fees from borrowers.

Rather than providing just forms of lending to those in financial need, the payday lending industry all too often preys on the financially destitute, exalting profits over persons.

428 WHAT DOES INITIATIVE 428 PROPOSE?

Initiative 428 is simple and straightforward. It would ensure that payday lenders provide a more reasonable and affordable payment for borrowers. The Initiative caps all fees and interest on payday loans at 36% and "prohibits payday lenders from evading this rate cap".

WHO USES PAYDAY LOANS?

The Pew Charitable Trusts found that the typical payday loan consumer are those without a college degree; home renters; African Americans; those earning below $40,000 annually; and those separated and divorced.

Most borrowers turn to payday loans to cover basic living expenses, such as utilities, rent or mortgage payments, food, or credit card bills.

36%

WHY ONLY 36%?

While most financially independent consumers wouldn't agree to 36% APR, it is a reform rate with widespread acceptance by many states. Federal law already provides this level of protection to active duty military families, but not veterans. This measure would ensure that Nebraska's 150,000 veterans have that same reasonable protection. With these rate caps, consumers report a better lending experience—one that provides a reasonable way to manage cash shortfalls but also prevents an endless debt cycle.

WILL IN. 428 LEAVE CONSUMERS WITHOUT LENDING OPTIONS?

Sixteen states, the District of Columbia, and federal law already provide protection to consumers by capping payday lending interest rates. Instead of being left without forms of credit, former borrowers in states where interest rates have been capped report they are better off. Rather than seeking out predatory payday loans, they engage in healthier financial decisions like reducing expenses, seek assistance from family/friends, or negotiate payments plans for expenses.

VOTE 'FOR' BALLOT INITIATIVE 428

NEBRASKA CATHOLIC CONFERENCE