

October 2, 2019

House Bill 4251, Payday Loans, Provide for Consumer Protections

Dear Chairman Farrington and members of the House Financial Services Committee:

My name is Sandra Pearson and I serve as President and CEO of Habitat for Humanity of Michigan, representing over fifty local Habitat for Humanity affiliates (thirty-four are veteran build affiliates), more than 1,000 board and committee members, over 20,000 dedicated volunteers, more than 500 employees, and more than 8,320 partner families; all of whom pay on a mortgage and pay property taxes. We are in the business of partnering with people and extending access to capital, fairly, and equitably, through shelter and financial education, coaching, and counseling.

Clarence Jordan, one of Habitat for Humanity's original founders, famously said, "What poor people need is not charity, but capital." For over 30 years Habitat affiliates across the state of Michigan have adhered to this moral philosophy by providing our families with little to no interest loans in order to better their lives and secure a brighter future for their children. We believe in providing people with a *hand up*, not a *hand out* which builds community and creates a new tax base.

Payday lending is antithetic to everything we hold dear. Targeting the most vulnerable in our communities with the intention of trapping them in a debt cycle they cannot escape and sending the resources wrung out of these people to another state is unconscionable. Michigan was the last state to authorize payday lending despite many other states putting protections in place to reform the practice. As a result, over 513 million dollars has been drained from Michigan's most vulnerable residents over the past five years, \$94 million in 2018 alone. The five counties represented by the members of this committee (Macomb, Monroe, Saginaw, Oakland, and Wayne) had \$37,587,006 from 223 payday lending stores drained from the poorest members of those communities in 2018. In addition, a study from the Center for Responsible Lending found that over two-thirds of Michigan payday stores are headquartered out of state.

The Habitat model shows us it is possible to provide people with access to capital without preying on them. Charging interest rates of 400 percent without verifying the borrower has the ability to pay the loan shows clear predatory intentions. Michigan payday lenders disproportionately locate their stores in rural and low-income areas. HB-4251 has bipartisan support, as does payday lending reform throughout the state of Michigan. We surveyed our affiliates throughout the state – urban, suburban, rural, Upper-Peninsula, and Lower Peninsula – across the board people want to see these predators removed from our communities.

I would like to share with you this letter, signed by the senior leadership of the Habitat for Humanity affiliates in each of your respective districts. I wish to ask you think about your idea and vision of a healthy community and neighborhood. Does your vision of a healthy neighborhood include a payday lending store?

The ultimate result of the majority of payday loans is that they take away a person's financial capability and puts them in a worse situation than when they started. According to the previously referenced report from the Center for Responsible Lending, the payday fee drain and debt trap do jeopardize a consumer's relationship with his or her bank, as there is a correlation between payday loan usage and bank account closure.

On behalf of the vast network of Habitat for Humanity partnering with people throughout Michigan, I encourage you to support House Bill 4251.

I wish to introduce Mr. De'Angelo Boone from our Lenawee County affiliate in Adrian who is here to share his story, which includes the fact that he had to shut down his bank accounts: Mr. Boone...

Thank you for your time and consideration to build in protections to people in vulnerable circumstances.

Sincerely,



Sandra Pearson

Habitat for Humanity of Michigan, President & CEO

(517) 526-3534

spearson@habitatmichigan.org

September 25th, 2019

Dear Legislator,

We strongly support HB-4251, which significantly reforms payday lending laws in the State and protects Michigan's most vulnerable consumers.

Michigan was the last state to authorize payday lending, even while many other states have been putting protections in place to reform the practice. Seventeen states and Washington D.C. have passed laws to stop the payday lending debt trap. Congress capped loans to active-duty military after the Department of Defense reported that payday loans were affecting military readiness by causing service members' families significant financial difficulties.

Payday loans are designed to trigger a high-cost cycle of repeat borrowing that typically sends borrowers into spiraling financial difficulties. The loans put customers further behind on their bills often causing overdraft and bounced check fees, closed bank accounts, and even bankruptcy. Payday lenders rely on this cycle that devastates their customers. The Consumer Financial Protection Bureau found the average borrower has 10 or more of these high-cost loans per year.

The average annual interest rate for payday loans in Michigan is 369%. Fees for the predatory loans transferred over \$96 million in 2016 and in excess of \$513 million over the past five years from struggling low-income Michigan families to payday lenders. Two thirds of Michigan payday loan stores are operated by companies with out-of-state headquarters.

"Payday loans devastate our families and communities, extracting dollars from our economy and most disturbingly, from those who can least afford it. They populate both our cities and rural communities, offering the false promise of quick relief while they are in truth designed to create a perpetual cycle that bleeds their customers dry. We ask for quick passage of a reform that other states are quickly adopting as they wise up to the business model and reach broad consensus on the best solution." -Sandra Pearson, CEO, Habitat for Humanity of Michigan

Sincerely,

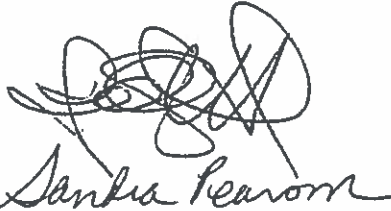
Alice Dent



Alice Dent, CEO, HfH Western Wayne County

David Graves, CEO, HfH Monroe County

Evelyn Brown



Evelyn Brown, CEO, HfH Detroit

Helen Hicks, CEO, Macomb County HfH

Sandra Pearson, CEO, Habitat Michigan



Tim Ruggles, CEO, HfH Oakland County

Carmen Mora

Carmen Mora, Interim Executive Director, Saginaw-Shiawassee HfH



