

February 25, 2020

House Bill 5097

Dear Members of the House Ways & Means Committee,

I attended last week's committee meeting to advocate against any expansion of payday lending. I wish to thank all of you for your careful consideration of House Bill 5097. I submitted written testimony to the clerk, and I'd like to add a couple of documents to my testimony.

The first is a letter of testimony and the personal story of De-Angelo Boone, a resident of Adrian, Michigan (attached). Mr. Boone testified, in person, in October, at the House Financial Services Committee hearing regarding this same bill.

Next, I'd like to share with you an article published last week by Forbes, "Payday Lenders Obtaining Arrest Warrants For Thousands, Charges Consumer Group."

Thank you for your time and consideration.

Sincerely,



Sandra Pearson

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My Name is De'Angelo Boone, A resident of Adrian Michigan. I graduated from Michigan State University with a Bachelor's in English and Philosophy and later obtained my Master's degree from Siena Heights University.

I moved to Adrian Michigan in August of 2002 taking employment after graduation. A few years later I acquired custody of my younger brother, who has cerebral palsy and is autistic, my younger sister, and two boys that I helped raise, that I refer to as my sons. While having custody of my children, I was robbed by a relative who stole and maxed out my credit card and my visa debit card and stole my vehicle. By the time the banks froze my cards the damage was already done. It wasn't until the banks called me that I was even made aware that the cards were gone. During this time I was preparing to move into a larger apartment and start preparing my children for the upcoming school year.

The bank would have reversed this damage if I would have filed a police report and taken action against my relative. By the request of my grandmother (who raised me) I didn't file a police report or press charges and suffered this loss. Checks bounced against my account, my savings was gone and any funds left on my credit card and in my checking account were depleted also. So that I could move, as planned and still make preparation for school. I looked into Cash land and Cash Advance. My thinking was that perhaps if I borrow then I could get things in order, pay this back and continue with my living. I borrowed from one location at first, then two. The only questions I was asked was do I have a checking account, proof of employment and my scheduled payday. I was approved for the max (\$600) at both locations (Repayment was \$675) I borrowed, repaid and couldn't afford to walk out without re-borrowing. One time turned into three, then 8, then every two weeks for two years. I was basically handing my checks over, and borrowing from another to help repay the other. I even went into a repayment plan, where the lenders allowed me to pay back lower and I couldn't re-borrow until it was all repaid. I paid \$225 every two weeks for three installments... which sounds great, but keep in mind I borrowed from two locations so I was paying \$450 every two weeks. My bi-weekly salary was roughly \$1200 every two weeks after taxes. During this time also I was raising four kids, working full time and attending grad school full time. It was embarrassing. The staff knew my name and I had accumulated multiple folders (files). Not knowing what else to do one day I called my bank closed my account.

The lending institutes tried to contact me regarding repayment. I stopped answering the phone. Years later I paid the balance due but at the time I had to stop the cycle. If I could go back and do things differently. First, I would contact the authorities and have my relative be held responsible for their actions, Secondly, never walk through the doors of those two lenders... A second job, lower priced housing, anything other than walking through the doors of lenders that hurt me in the name of help. To this day my credit is ruined, I can't write personal checks and I no longer have economic mobility.

*De'Angelo is currently employed by Habitat for
Humanity of Lenawee County. - Sandy Pearson*

Payday Lenders Obtaining Arrest Warrants For Thousands, Charges Consumer Group



Ted Knutson Contributor

Personal Finance

I cover financial regulatory issue, cybersecurity, fintech & bitcoin.

Payday lenders are obtaining arrest warrants for thousands of borrowers, the Consumer Federation of America charged in a new study issued Tuesday.

“Some payday lenders are using the criminal justice system to collect triple digit interest rates from insolvent consumers,” Consumer Federation Financial Services Director Christopher Peterson said in introducing the report.

Using Utah as a case study, CFA found nearly three in ten high-cost lender lawsuits resulted in a bench warrant for the arrest of the borrower for contempt of court.

The group’s researchers claim these courts in Utah have become “a publicly subsidized debt collection system” for the high-cost lenders who account for nearly seven out of 10 filings in this judicial niche.

As another example of their aggressiveness, the study found the median high-cost lender sued their customer over a \$994 debt—just a third of the median \$2,875 sought by other people and businesses using the Utah small claims courts.

The study said the Utah experience flies in the face of the popular image of small claim courts as folksy venues where moms and pops tussle over comparatively minor amounts.

“While ‘Judge Judy’ doles out stern words and no-nonsense rulings, she never orders the arrest of low-income single mothers or war veterans struggling to repay 400 percent interest rate loans with minimum wage jobs,” the CFA pointed out.

The actions in the sparsely populated state have national implications, the study warned.

Utah is increasingly a home for so called “rent-a-bank” lending operations attempting to export the Utah regulatory environment to all other states,” CFA explained.

“Our study serves as a warning sign for policy makers all across America that without oversight and consumer protection laws, predatory lenders will debase our courts and criminal justice systems to collect usurious loans,” cautioned Peterson.

As an antidote, he called upon Congress to adopt the Veterans and Consumers Fair Credit Act which would establish a national usury limit to protect every American from predatory, triple-digit interest rate debt.

The report noted for most of American history, this type of credit was illegal in virtually every state.

To see the full 36-page study, click on



Consumer Federation of America

Report

Unwarranted: Small-Claims Court Arrest Warrants in Payday Loan Debt Collection

Christopher L. Peterson & David McNeill
February 2020

The Consumer Federation of America is a national organization of more than 250 nonprofit consumer groups that was founded in 1968 to advance the consumer interest through research, advocacy, and education.

Christopher L. Peterson is the Director of Financial Services for the Consumer Federation of America and the John J. Flynn Endowed Professor of Law at the University of Utah's J. Quinney College of Law. David S. McNeill, PhD, MBA, is a legal data consultant and the founder and CEO of Docket Reminder.

The authors received invaluable research and editorial assistance from Michael Harwood and statistical advice from Brian Cummings, founder of Branch Legal, LLC.

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Table of Contents

Executive Summary	2
Report	4
1. Introduction	
2. Background	Page 1 / 36
<i>Small-Courts Courts and Forced Arbitration Agreements in High-Cost Debt Collection</i>	10

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Ted Knutson

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