

May 26, 2020

Substitute for House Bill 5097, Deferred Presentment Service Transactions Act, Payday Loans

Dear Member of the House Ways and Means 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 through shelter and financial education, coaching, and counseling.

I am writing today in opposition of Substitute for Housing Bill 5097, which allows for “small dollar” loans of up to \$2,500 with fees equivalent to 132% APR. My office surveyed affiliates and we are unified in opposition of any expansion of payday lending. It is unfortunate to observe payday lenders taking even greater advantage of people during the pandemic. This bill is one more example.

Predatory 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. In addition, a study from the Center for Responsible Lending found that over two-thirds of Michigan payday stores are headquartered out of state.

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 many payday loans is that they ultimately 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.

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

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