

How one Michigan credit union is helping ease customers from payday loans

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Quality of Life

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Thornapple Credit Union CEO Amy Byers: "People were ending in so much trouble they were bouncing checks." (courtesy photo)

HASTINGS—The scenario had become all too familiar to Amy Byers.

Would-be clients would come into Thornapple Credit Union branches south of Grand Rapids, desperate to get out of payday loans.

"Half the time they would come in almost in tears, saying, 'I don't have the money to pay them back,'" recalled Byers, CEO of the Barry County-based credit union.

So the credit union launched what it calls a Mulligan Loan, a name borrowed from a golfer's second chance at correcting an errant tee shot, which carries an 18-percent interest cap.

In the seven years since, Byers said, hundreds of borrowers have turned to the loan in this rural area of Michigan, many of them stuck in payday debt.

Byers recalled that Barry County until a few years ago had just one payday outlet.

"It went from one to three, boom, pretty quickly. People were ending up in so much trouble they were bouncing checks."

Payday loans have interest rates that in Michigan can exceed 400 percent a year. Many other states have banned payday loans or limit the interest rates they can charge.

The Mulligan Loan, with a maximum loan amount of \$750 and a six-month term, carries an annual interest rate of 18 percent with a one-time fee of \$50. To qualify, clients must have a proven source of income and a direct deposit account with the credit union.

In their initial meeting about the loan, clients typically spend a half hour or more with staff to discuss budgeting and the pitfalls of payday borrowing. They are required to make a plan to repair their credit.

"We tell them that payday loans are never going to pay off in the long run," Byers said.

Nonetheless, Byers still sees multiple generations in families trapped in payday debt. That's why she views education as key to breaking that chain.

"We have a lack of financial skills passed from parents to the next generation. We see kids from the same family come in. Parents just aren't teaching budgeting."

In a statement to Bridge, Dave Adams, president of the Michigan Credit Union League, said credit unions across the state offer similar loan programs.

He said credit unions "are working diligently" to combat payday lenders through education, including certification of more 600 financial counselors in Michigan since 2010 to steer borrowers through financial hardship. He added that the MCUL reached more than 4,600 K-12 students in 2018 in financial education fairs that instruct students how to avoid payday lending traps once they are on their own.

To reach working people in the community, Thornapple credit union said it holds lunch meetings at businesses across the county, where staff outline the basics of home finance and budgeting. It held recent sessions for two shifts of workers at the Hastings Manufacturing Company plant in Hastings.

Byers said the credit union will help out this fall in teaching part of a required 9th-grade course at Hastings High School dedicated to career planning and finances.

"We have an entire section that talks about payday loans," Byers said.

One Barry County resident recalled his own payday nightmare a couple years back.

A veteran of the Army, Scott (who spoke on condition that his last name not be used) said he was living off partial military disability for post traumatic stress disorder but fell behind his mortgage, phone and utility bills.

"You name it, I was behind on all of them."

He said he turned to a Barry County payday lending store, where he got a \$600 cash advance for a one-month loan in exchange for paying about \$75 in interest.

But Scott said he was still behind on bills – so he went back the next month. And the month after that. And so on.

"You are in a hole you don't think you are ever going to get out of," he said.

Finally, he talked to staff at Thornapple, took out a Mulligan Loan instead and managed to break the payday cycle.

"I don't ever want to be in one of those loans again," he said.

