

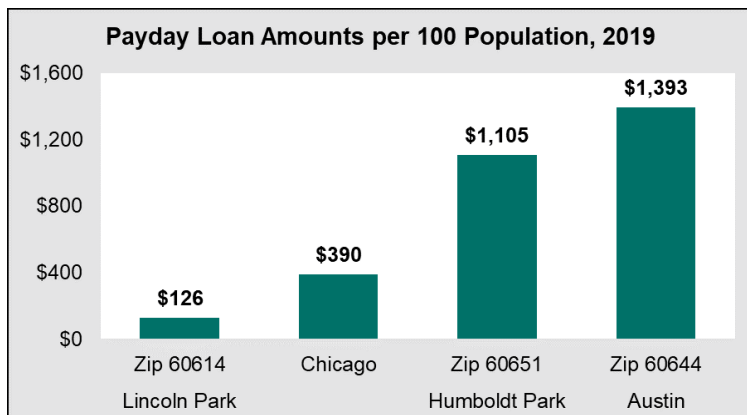


January 25, 2021

The Honorable J.B. Pritzker
Office of the Governor

Dear Governor Pritzker:

We write to urge you to sign SB 1792, a part of the Illinois Legislative Black Caucus Agenda, which includes the Predatory Loan Prevention Act (PLPA). The PLPA would cap the annual percentage rate (APR) on consumer loans at 36%. A diverse coalition of over 100 industry, government, faith, and community leaders support the PLPA. During the 2021 lame duck session, the bill passed the Illinois House 110-0 (two voting present), and passed the Illinois Senate 39-5 with bipartisan support. Payday loans, auto-title loans, and other small consumer loans with exorbitant APRs, often upwards of 300%, drain income and savings from communities experiencing poverty and from communities of color. In Chicago, you are thirteen times more likely to have a payday loan if you live in the predominantly Black neighborhood of Austin as opposed to the predominantly white neighborhood of Lincoln Park.¹ By capping APRs on consumer loans at 36%, the PLPA will give more Illinoisans a chance to achieve financially secure futures.



Payday lenders target people who need cash, which has colossal consequences for the borrower. These consequences begin immediately and typically last for months, if not years. Payday lenders make loans to customers without determining their ability to repay the loan in full. Instead, the lender siphons loan payments out of the borrower's bank account on their paydays. This forces borrowers to skimp on other necessities like health care and prescription drugs. The lender then capitalizes on this predicament by rolling over, refinancing, or extending the loan repeatedly. This puts borrowers in a burdensome cycle of debt.

¹ Woodstock Institute findings based on 2019 data from the Illinois Payday Loan Database established pursuant to the Illinois Payday Loan Reform Act of 2005, 815 ILCS 122.

Nationally, research by the Consumer Financial Protection Bureau shows that the majority of payday loans are borrowed by consumers who take out at least 10 loans in a row.² In Illinois, the average APR on a payday loan is 297%.³ This is not “access to credit;” this is predatory lending.

Auto title lenders are another culprit, digging everyday people in already dire financial circumstances even deeper into debt. In Illinois, these loans come with interest rates as high as 360%, costing families thousands of dollars in interest and fees. On top of high interest rates, when a borrower can’t afford to repay these costly loans, they lose their car – a lifeline that allows people to work, take their children to school, and meet many other daily needs.

Since 2006, federal law has protected active-duty members of the military with a 36% APR cap.⁴ Seventeen states as well as D.C. have rate caps of 36% APR or lower. Last November, Nebraska became the 17th state when over 80% of voters approved a referendum establishing a 36% APR cap on payday loans. Nationwide, 70% of registered voters across party lines support a 36% APR cap on these harmful, predatory loans.⁵

Before 1985, it was a felony in Illinois to make a loan at an interest rate exceeding 20%.⁶ Since the law was changed in 1985, payday and auto title lenders have been able to charge triple-digit APRs or higher, stripping billions of dollars from families in need, predominantly in communities of color.⁷ The current rate cap on payday loans in Illinois equates to 404% APR, which is higher than the interest rate on payday loans in Louisiana, South Carolina, and Oklahoma, among others.⁸ On a \$500, six-month installment loan, Illinois’ 99% APR cap is higher than the APR caps in Texas, Alabama, and Tennessee, among others.⁹

There are many alternatives to these harmful, wealth-stripping loans. Predatory lenders argue that their products are the only option for subprime borrowers. This is false. Affordable loan products do exist, ones that can help folks recover from hard times and land on their feet instead of on their backs. Community Development Financial Institutions (CDFIs) like Capital Good Fund and Self-Help Credit Union already make loans at rates below 36%, right here in Illinois. The average credit score of a Capital Good Fund customer is 580.¹⁰

Predatory lending is a racial justice issue. Payday lenders have always targeted communities of color, and this effect has been exacerbated during the pandemic. Our nation’s reckoning with racial justice should include Illinois reckoning with the wedge that high-cost, small dollar lending drives straight through the racial wealth gap, widening it further. With this structural inequity in mind, we hope you will sign SB 1792.

Sincerely,

AARP Illinois
Affirm
Americans for Financial Reform
Asian Americans Advancing Justice
Avant
Best Egg
Breakthrough
Brighton Park Neighborhood Council

² U.S. Consumer Financial Protection Bureau, “[Payday, Vehicle Title, and Certain High-Cost Installment Loans](#),” Docket No. CFPB-2016-0025, at 829 (Oct. 2017) (citing [CFPB Report on Supplemental Findings](#), at Chapter 1).

³ IL Dept. of Fin. & Professional Regulation, [Illinois Trends Report: Select Consumer Loan Products through December 2019](#) (9/28/20).

⁴ 10 U.S.C. 987.

⁵ Morning Consult, “[Interest Rate Cap Polling Results](#),” (January 2020).

⁶ 720 ILCS 5/17-59.

⁷ Center for Responsible Lending. “[Payday and Car Title Lenders Drain \\$8 Billion in Fees Every Year](#).” Updated April 2019.

⁸ Center for Responsible Lending, “[U.S. Payday Interest Rates](#)” (Feb. 2019).

⁹ National Consumer Law Center, “[State Rate Caps for \\$500 and \\$2,000 Loans](#)” (Feb. 2020).

¹⁰ Posner, Andy. Capital Good Fund [testimony](#) to the Illinois General Assembly.

Capital Good Fund
Catholic Conference of Illinois
Center for Responsible Lending
Center on Tax and Budget Accountability
Chicago Area Fair Housing Alliance
Chicago Coalition for the Homeless
Chicago Community Loan Fund
Chicago Food Policy Action Council
Chicago Jobs Council
Chicago Urban League
Chinese American Service League
Citizen Action / Illinois
Cliff Parks, Heaven's View Christian Fellowship, Peoria
COFI
Col. Paul Kantwill, USA (Ret); Prof., Loyola Univ. School of Law
Community Renewal Society
Consumer Federation of America
Credit Builders Alliance
Economic Security for Illinois
Elevate Energy
Equity and Transformation
EverThrive Illinois
Faith Coalition for the Common Good
Gamaliel of Illinois
Great Lakes Credit Union
Heartland Alliance
High Ground Institute
High Ground Veterans Advocacy
HomeStart
Housing Action Illinois
Housing Choice Partners
Illinois Action for Children
Illinois Asset Building Group
Illinois Chapter of the National Association of Consumer Advocates
Illinois Conference of Churches
Illinois People's Action
Illinois Public Interest Research Group (IL PIRG)
Jane Addams Resource Corporation
Junior Achievement of Chicago
Latinx Voice
Lawyers Committee for Better Housing
Lending Club
LIFT, Inc.
LISC Chicago
Marketplace Lending Association
Marlette Funding
Metropolitan Family Services
Metropolitan Planning Council
Minority Veterans of America
Msgr. Doug Hennessy, Bloomington
Mujeres Latinas En Acción
NAACP Peoria Chapter
National Community Reinvestment Coalition
National Consumer Law Center
National Housing Law Project

New America Chicago
North Lawndale Employment Network
Northwest Side Housing Center
OAI
Pastor Kent King-Nobles, Normal
Phalanx Family Services
POWER-PAC IL
Preservation of Affordable Housing Communities
Presiding Elder, Rev. Tyson J. Parks, Danville
Prosper
Prosperity Now
Rabbi Rebecca L. Dubowe, Bloomington
Rev. Alphonso Lyons, Jr., Mt. Zion Baptist Church, Peoria
Rev. Dr. Eugene Barnes, Champaign
Rev. Frank Langholz, Emmanuel Lutheran Church, Rockford
Rev. Janet Eggleston, Galena
Rev. Kelly J. Youngblood, Bourbonnais
Rev. Robert Bushey, Kankakee
Rev. Robert Freeman, Urbana
Rev. Violet Johnicker, Brooke Road United Methodist Church, Rockford
Revolution Workshop
Seaway, a division of Self-Help FCU
Second Federal, a division of Self-Help FCU
SEIU Healthcare IL IN
Shriver Center on Poverty Law
Sister Joan Schullian OSF, Decatur
SoFi
Southwest Organizing Project
The Low Income Utility Advocacy Project
The Resurrection Project
United Congregations of Metro East
United Way of Illinois
Upstart
Voices for Illinois Children
Woodstock Institute
Working Credit NFP
Youth Job Center
YWCA Metropolitan Chicago