

Religious groups call for changes in payday lending laws in 2014

Written by

Monday, 18 November 2013 15:04



Predatory payday lending interest rates 391% and higher create cycle of debt

The Joint Religious Legislative Coalition (JRLC) called for an end to predatory payday loan practices at the capitol last week. Its report, *Payday Lending in Minnesota*, recommended changes needed to the state's payday lending practices.

"The vast majority of payday borrowers are caught in a trap with the first loan," said Brian Rusche, executive director of JRLC.

Payday loans are short-term, high-interest loans that require full payback, usually on the date of the borrower's next paycheck. Lenders typically charge flat fees that equate to annual rates (APR) ranging from 391 percent to 1,170 percent.

According to data from the Minnesota Department of Commerce, the number of payday loans in Minnesota has more than doubled in the last five years. From 2007 to 2012, the number of payday loans issued in Minnesota leapt from 172,000 to 380,948. The majority of payday loans are issued to repeat borrowers who carry loan balances at costs that routinely exceed 400% APR.

The typical payday borrower takes an average of 10 loans per year, often spending substantially more on interest than on the original principal.

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David O'Connell, Religious Coalition of Missouri, Islam, Daoism, Buddhism, Hinduism, Jainism, Sikhism, and others