

COMMUNITY DEVELOPMENT ADVOCATES OF DETROIT (CDAD)

STATEMENT ON HOUSE BILL 4251 SUBSTITUTE

October 2, 2019

Community Development Advocates of Detroit (CDAD) is pleased to outline our concerns about House Bill 4251 Substitute and offer our recommendations. On behalf of our 175 members – community-based organizations that are working to improve the City of Detroit and lives of Detroiters – we ask the House Financial Services Committee to consider ways to enhance and expand the consumer protection provisions of this bill.

We thank the Legislature for recognizing that payday lending is an important issue for Michigan. In Michigan, payday lenders drain more than \$103 million in fees annually and the vast majority of payday lenders are headquartered out-of-state. This fee drain hampers asset-building and economic opportunity. Annual percentage rates (APR) on payday loans in Michigan reach 400%. Payday loans typically lead to a cycle of debt which is nearly impossible to escape. The harms have been documented by the Center for Responsible Lending. These harms include increased overdraft fees, delinquency on other bills, involuntary loss of bank accounts, and even bankruptcy. Payday loans increase people's dependency on food stamps, likelihood of delinquency on child support payments, and delayed payments on medical care and rent. What is great concern to CDAD and our members is that payday loans stores are disproportionately located in rural areas, low income communities, and communities of color. Payday lending has hit the City of Detroit hard.

CDAD also thanks the Legislature for recognizing that the laws and regulations applicable to pay day lending need updating. We believe that the legal and regulatory environment should be enhanced and expanded by:

1. Requiring payday lenders to provide consumer education opportunities in the communities in which they do business. This would be similar to the federal Community Reinvestment Act , 42 USC Ch. 69, Sec. 5301. This long-standing federal law encourages banks and savings associations to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods.
2. Clarifying the availability of partial payments and installment payments. Based upon anecdotal statements, borrowers in Detroit indicated that they did not know these options are available.
3. Requiring the Office of Insurance and Financial Service to collect, analysis and regularly report on payday lending in Michigan. Although lenders are