

TODAY'S CATHOLIC

BY ARCHBISHOP GUSTAVO GARCIA-SILLER, SAN ANTONIO

AUGUST 10, 2012

PAYDAY LOANS ORDINANCE SUPPORTED

These can be precarious financial times for a lot of San Antonio's families. The cost of living — of simply paying your bills — can sometimes be too much. An unexpected illness or expense can often push those balancing on the edge of financial solvency.

That is why it is so vitally important that we work to protect our most vulnerable from falling prey to lenders that charge unfair interest rates at unreasonable terms. As a community, we have an obligation to protect our families from being taken advantage of the time when they are faced with financial stress.

Unfortunately, evidence suggests that a number of payday and auto title lenders in San Antonio may be taking advantage of folks in need of short-term loans. While their industry advertising often claims to provide solutions to those facing short-term crises, under the current system they appear to benefit more from consumers' financial failure than from the consumer's success. That is, payday lenders routinely charge up to 500 percent interest on short-term loans, tacking on additional processing fees, from people who have no place else to go for help.

Catholic teaching considers unjust intentional and unintentional lending practices that take unfair advantage of a person's desperate financial plight. The social teaching of the church calls for respect of the dignity of all persons, preferential concern for the poor and vulnerable, and the pursuit of the common good. It is in this context and with these motives that we are compelled to question the current payday loan practices.

A recent study by the Pew Charitable Trust indicates that the average borrower is using a payday loan to pay utilities, credit card bills, rent or mortgage payments, or food. These are basic necessities. We can imagine the financial burden on people in these situations. Imagine the financial burden being placed on the people who are trying to make ends meet and put food on the table.

All the people of Texas deserve protection from these lending practices. Unfortunately, the state legislature failed to pass legislation that could have created a reasonable and just regulation of

this industry. This has left it to individual cities to provide this necessary protection to those most in need. The cities of Dallas and Austin already have such ordinances in place.

This month San Antonio's City Council will be given the opportunity to forge reasonable boundaries around the exorbitant fees that are charged people who have nowhere else to turn for loans to meet their basic needs. Councilman Diego Bernal has submitted a proposal to limit payday loans to a percentage of the borrower's gross monthly income. Auto title loans would also be limited to whichever is less: a percent of the borrower's gross annual income or a percent of the vehicle's value. He has also proposed that the loans be kept to a limited number of installment payments and not be rolled over countless times. The proposal also requires that a specific portion of the payment be dedicated to reducing the loan principal.

I find these to be reasonable proposals, as they allow the lender to charge a reasonable fee for this service, but which also protects borrowers from exorbitant fees. While I believe that state legislation is the ultimate solution to this statewide problem, the desperation of the most vulnerable in our community cannot wait. I respectfully encourage the San Antonio City Council to approve this sign of our city's spirit of justice and compassion.