

In Lahore, Pakistan, many desperate poor are getting caught in a cycle of debt. One resident tells this story: “My sister fell ill and her medical bills cost 30,000 rupees (about \$300US). My father wasn’t getting his salary on time, so we had no options. I took a loan from the brick kiln and agreed to work for them until it was paid off. Other members of my family did the same. We thought it would only take three months. But when I went to leave, they told me I owed them 90,000 rupees. I couldn’t believe it. They told me I couldn’t leave. It’s like quicksand. They only pay you 200 rupees per 1000 bricks, and it all goes to them, and the debt keeps growing. We are supposed to work from dawn to dusk for six days a week, but we never get the 7th day off. They tell me I owe them 900,000 rupees now. There is no hope for me.”

“Throughout rural Pakistan, illiterate and desperate laborers are tricked into accepting small loans in exchange for agreeing to work at brick kilns for a small period of time. But due to predatory terms, their debt balloons, growing larger as time goes on, with no possibility of repayment, until these laborers are condemned to work for the rest of their lives for no compensation. If the laborer dies, the debt is passed on to his or her children...It is estimated that well over one million men, women, and children are trapped in this modern feudalist system.” (Humans of NY. <http://www.humansofnewyork.com/> Accessed 28 Aug 2015.)

Isaiah chapter 58 says,

“No, this is the fast I desire:

To unlock fetters of wickedness,

And untie the cords of the yoke

To let the oppressed go free;

To break off every yoke.

It is to share your bread with the hungry,

And to take the wretched poor into your home;

When you see the naked, to clothe him,

And not to ignore your own kin.”

In Sioux Falls, South Dakota, “Sarah” and her family found themselves trapped by mounding debt. Her family gets by paycheck to paycheck. They have a growing family, and they receive housing and WIC assistance. Both parents take turns getting seasonal jobs, in order to share the care of their children at home. Two of their now high school age children work to help pay for clothes and other necessities. They come here to First Congregational Church for occasional emergency assistance. We may help with the electric bill or to put gas in the car when an unexpected medical bill squeezes their budget.

After a recent need to travel out of town for a family member’s funeral, they found themselves short on funds to pay other routine bills. As a solution, they took out a title loan in the amount of \$600. So, they borrowed “against the value of their car, with the title used as collateral.” (“Auto Title Loans” Report. Pew Charitable Trust, 25 Mar 2015. <http://www.pewtrusts.org/en/research-and-analysis/reports/2015/03/auto-title-loans> Accessed 29 Aug 2015.)

They did not have the cash available after a month when the loan came due. Fees and interest quickly grew. Collectors called them without relief. In order to get ahead of the swelling interest, both parents as well as two of their high school children worked and put portions of their paychecks toward paying off the title loan. Within three months they paid \$800 in interest and fees, on top of the original amount of \$600.

Theirs is a common story among South Dakotans who have taken out a payday or title loan for a quick solution to paying off bills. What are called “payday,” “signature,” or “title” loans provide short-term loans at high interest rates. The balance of the loan is

typically due in a lump sum within days or weeks, often when the borrower receives their next paycheck. These are presented to the public as “emergency relief.” However, according to the non-partisan research organization, Pew Charitable Trusts, the reality is that the majority of borrowers use these loans for routine expenses, like covering rent or utilities. (“Payday Lending in America: Who Borrows, Where They Borrow, and Why” Report. 19 Jul 2012. <http://www.pewtrusts.org/en/research-and-analysis/reports/2012/07/19/who-borrows-where-they-borrow-and-why> Accessed 28 Aug 2015.)

The typical way the cycle of debt emerges, then, is this: An individual takes out a payday loan. Once the payday borrower receives their paycheck, they pay off the loan plus fees. But, those routine expenses are still there, and they remain short on money to pay bills, so they find themselves needing to take out a new short-term loan. Round and round the cycle persists, and they continue to pay back much more than they originally borrowed. The situation gets much worse when a borrower doesn’t pay back the loan in full by payday. There are fees for renewing the loan, and ballooning interest on top of that, which quickly multiplies that small original value into a nearly insurmountable mountain of debt.

While the model presented to the borrower is to pay off the loan within two weeks, the typical borrower carries a debt for half the year, and, in South Dakota, pays an average annual interest rate of 574%. An average payday loan in our state is renewed six times, which means the borrower pays fees every time, leading to annual interest rates in the hundreds of percent, if not over one thousand percent.

Nearly half (41%) of borrowers need a cash infusion (like assistance from family or the church, or selling off personal items) in order to pay off their payday lender.

These “predatory” lending practices are given that name as they are specifically targeted at low-income borrowers who are desperate need for assistance. Payday lenders are often strategically located in lower income neighborhoods. People in vulnerable circumstances often find themselves trapped in growing debt.

Due to their limited economic power, low-income people appear to have few choices when in a pinch. This is the point at which there lies the greatest potential for abuse.

Imagine the circumstances in which a person with low- or no credit needs a little extra money to cover rent. Upon entering a payday lending office, they are greeted by a very kind and compassionate person who assures them, “We can help you out, and we’ll have you all taken care of today. And, in case you’re unable to pay us back in two weeks, no worries, we’ll take good care of you.” (Our collectors will take good care of you.)

In a desperate situation, paying off a loan by payday may seem like an easy option next to seeing the dominoes of your safety net fall—someone might agree to exorbitant loan terms just to keep ownership of their car so they can still get to work, pay the bills, keep a roof over their heads.

In the moment of desperation, immediate relief from real consequences—like losing your home or seeing your kids go hungry—will win out over worries about the possibility of debt.

What is this payday lending business really about? If the intent is to prey on the desperate poor, then we need to have a serious ethics review.

Our scriptures are full of references to taking care of the vulnerable, the poor, and the desperate. And taking actual good care of another human being is never done deceptively and never with the intent that the recipient of your good works would be indebted to you.

Rather, as Isaiah writes, *“If you banish the yoke from your midst,
The menacing hand, and evil speech,
And you offer your compassion to the hungry
And satisfy the famished creature--
Then shall your light shine in darkness,
And your gloom shall be like noonday”* (58:9-10 JPS Tanakh).

In Luke chapter six, Jesus says, “If you lend to those from whom you hope to receive, what credit is that to you? Even sinners lend to sinners, to receive as much again. But love your enemies, do good, and lend, expecting nothing in return.” (34-35 NRSV)

Looking back into Christian history, not much grace has been given to usurers, those who lend at such unreasonably high interest rates. In the 16th century, the Protestant Reformer, Martin Luther gives a scathing judgment: “But a usurer and miser-belly desires that the whole world be ruined in order that there be hunger, thirst, misery, and need so that he can have everything and so that everyone must depend upon him and be his slave as if he were God. (Luther, as quoted in Lindberg, 147. Qtd. in “Illusory Usury: A Religious Rejection of Payday Lending.” Madsen, Anna. OMG Center for Theological Conversation blog. 18 Aug 2015. <http://omgcenter.com/2015/08/18/illusory-usury-a-religious-rejection-of-payday-lending/> Accessed 28 Aug 2015.)

If that doesn't make you squirm in your seat! Luther points to the ways such lending practices create absolute control of lender over borrower.

Reinhold Niebuhr was a prominent voice of Christian Realism in the 20th century. Niebuhr wrote, "Man's capacity for justice makes democracy possible; but man's inclination to injustice makes democracy necessary." (*The Children of Light and the Children of Darkness*, 1944. Qtd. in https://en.wikipedia.org/wiki/Reinhold_Niebuhr Accessed 29 Aug 2015.)

His realism is a reminder of our capacity for abuse of power. He reminds us of the strong human tendency toward self-regard which is typically stronger than any regard for others.

He writes, "...the law of love is indeed the basis of all moral life, [but] it cannot be obeyed by a simple act of the will because the power for self-concern is too great, and the forces which draw the self from its undue self-concern are usually forces of "common grace..." He says "common grace" is found in the "responsibility" and intervening "pressure" from the communities in which we live. (Niebuhr, Reinhold. *Man's Nature and His Communities*. New York: Charles Scribner's Sons, 1965. 125.)

It is that "common grace" which holds us, in all of our self-interest, in check.

So then, Where will the "common grace" for both payday lenders and borrowers be found? What is the role of the community when one uses their economic power to entrap the poor and vulnerable?

I think we can agree that a response is called for, but what a Christian response looks like may take on a variety of dimensions.

Education. First of all, many people could use help in financial literacy. A mentor who will work consistently on budgeting, a teacher who can help lay out scenarios and options. One response is to help educate people to fully understand what the terms of these loans are, and what are the alternatives to taking a high interest, short-term loan. The Genesis Program is

one way that small groups from our church have gotten involved as mentors with families in need.

Charitable Giving. Of course, having the knowledge is one piece of the puzzle. However, life circumstances such as illness, medical bills, or a job change can disrupt the fragile budgets of many low-income neighbors. Our church has the Brooks Helping Hands fund which supports folks in the community in need of emergency utility, rent, or gas assistance. Charitable contributions can help in particular situations; they could be given as a loan—an alternative to participating in the payday system.

In addition to charitable gifts, there is the pathway for justice work of *changing the system in place*, in order to limit the potential for abuses of the desperate and vulnerable.

Another response is to sign a petition being circulated by South Dakotans for Responsible Lending. This petition would put on the ballot next November a proposed initiative measure which would cap the interest at 36%, and that cap of 36% is specific to “payday,” “signature,” and “title” loans. If you are a registered voter in the state of South Dakota, and feel moved to sign the petition today, you can find Greg or Eileen at the table in Fick Hall following worship. The petition is a way intended to remove this potential for entrapment altogether.

If you have lingering questions about this initiative and wish to ponder and pray about it, please do so. You have the option to sign a petition before Nov 7. If even we have raised awareness of the effects of payday lending practices on the poor, then that is enough.

Each of us who seeks to care for “the least of these” in our community is called to do so with integrity, in the way you feel God is leading you.

Let us serve one another today, sharing that “common grace” where it is needed most, remembering our neighbors who find themselves in a trap of debt and in need of a voice of hope. Let us remember the prophet who calls us “To let the oppressed go free; to break off every yoke...Then shall your light burst through like the dawn...Then shall your light shine in the darkness, and your gloom shall be like noonday.”