



SOUTH DAKOTA FAITH IN PUBLIC LIFE

A Moral Response to Payday Lending

Responsible lending is a moral issue. All of our sacred texts—Jewish, Christian and Muslim—speak out against excessive interest and financial arrangements that take advantage of the poor for the benefit of lenders. We are called to love our neighbors and keep them from harm. Those who have more are called to greater responsibility for those who struggle for life's basic necessities.

We are called to reject hurtful practices that exploit the poor. Payday loan borrowers are often low- or moderate-income earners, and while they generally have bank accounts, many have a limited ability to use credit because of low earnings or a weak credit history.

Pay day loans have high fees and short repayment periods that are often beyond the borrowers' capacity to repay, so borrowers have to take out a second loan to pay off the first, effectively locking them into a cycle of debt that routinely carries over 400% annual interest. This "churning" of existing borrowers' loans every two weeks accounts for three-fourths of all payday loan volume.

Loans with triple-digit interest fees and short-term repayment periods that routinely trap vulnerable borrowers in a spiral of loss are unacceptable. Religious communities and their leaders have a special responsibility to bring these hurtful practices to light.

We need to educate our faith communities about the dangers of payday loans and work for improved public policies that give neighbors a hand up rather than a millstone of debt.

We encourage faith groups to help develop alternative lending programs and to advocate for federal regulation of payday loans to cap interest rates, to require that lenders consider a borrower's ability to repay and to require longer repayment periods. Lawmakers need to be challenged to develop alternative lending sources, either through enhanced incentives for existing banks and credit unions or by other creative means.

In November, please vote **yes** on the ballot initiative that says lenders may not charge over 36% interest. Do not be misled by a constitutional amendment designed by Pay Day lenders that calls for an 18% cap *but has no binding force on lenders*.

Vote **YES on the real 36% cap found in Initiative Measure #21.**

Vote **NO on the fake 18% cap found in Constitutional Amendment U.**

You may want to take this with you to the polls because the ballot may be confusing.

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