

**Testimony in Support of Anti-Predatory Lending Act (in HB2685-SFA 3)
Senate Executive Committee, January 10, 2020**

Don Carlson, Executive Director, Illinois People's Action

Illinois People's Action (IPA) stands strongly in favor of the Anti-Predatory Lending Act contained within HB2685-SFA3.

Our downstate faith and community-based organization has been active against predatory car-title and payday lending for more than two decades. Ten years ago we worked with the Town of Normal and City of Decatur in Resolutions to the legislature seeking a state policy solution to predatory lending and a 36% APR cap on all small dollar loans. The city of Decatur enacted zoning restrictions limiting the number of payday loan stores in 2013 in reaction to learning they had more predatory lenders than fast food restaurants. But predatory lending continued.

Under current Illinois law, predatory lending, or in effect loan sharking, is perfectly legal. Car title storefronts and payday lenders charge triple digit interest rates to those families most in financial need.

What does a 300% interest loan mean in real-life terms? An IPA member from Springfield, Billie, needed cash for rent and took out a \$500 car title loan on her car hoping she could afford the \$151 monthly payments on her income of SSI. The "loan", at 304% APR, demanded she pay back a whopping \$3,635.76. One thing led to another and after a few months she found herself living in her car simply to continue payments on the car title loan. IPA helped her get out of the loan, but how do you do that for 60,000 borrowers statewide?

No amount of financial education is going to stop predatory lenders from taking advantage of working families. Loans that don't take into consideration a borrower's ability to repay, if a mortgage, payday or car title loan, along with triple digit interest rates, is the definition of predatory.

The policy we seek is simple and straightforward, cap these interest rates at 36%. And though even that's high, it's based on the federal standard set by the Military Lending Act for active duty. And frankly, if a business can't run charging 36% interest maybe they shouldn't be in this business.

We respectfully urge this legislature to enact meaningful and comprehensive anti-predatory lending legislation and stop this exploitation of families in need once and for all.

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