April 23, 2014

**Louisiana State Senate**
**Finance Committee**
**Re: Senate Bill 84**

Good Morning.

I am Alex Mikulich, a Roman Catholic theologian at the Jesuit Social Research Institute, Loyola University New Orleans. Catholic teaching is clear that banking and lending are important services that should contribute to the common good. Legislators have a primary role to protect consumers, especially the economically vulnerable, from predatory payday lending.

We know that 68% of payday borrowers make annual income of less than $30,000 and that over 80% of payday loans are rolled over or followed by another loan within 14 days. Payday loans are structured to make repayment very difficult, initiating a cycle of indebtedness that adds to borrowers’ financial stress rather than alleviating it.

The Catechism of the Catholic Church warns against taking advantage of people in hardship and equates it with theft (#2409). On January 29th, Pope Francis said: “When a family has nothing to eat because of loan sharks, that is not Christian! It is inhuman! It is a dramatic social evil that wounds the inviolable dignity of the human person.”

The most effective policy is the Military Financial Protection Act passed by Congress and signed by President Bush in 2007 that capped annual percentage rate at 36% on all loans. That payday lobbyists oppose both an APR cap and a loan cap ought to be a warning that the payday business model is designed to catch borrowers in a cycle of debt. There is no good reason for Louisiana to exempt payday loans from loan sharking and usury laws.

A Pew Study released April 10 found that payday companies charge comparable borrowers far more for essentially the same small loan in states like Louisiana with higher or no interest rate limit. Legal exemptions protect a predatory product, not a free market.

Catholic social teaching calls public servants to create conditions in which all people can “become artisans of their own destiny.” If you will not pass a 36% APR cap, a six-loan cap in line with Louisiana restrictions that apply to credit unions and banks is the next best way to provide some consumer protection.

Thank you.
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