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Alabama groups target predatory lenders

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Anti-poverty groups are laying the groundwork to crack down on short-term lenders who charge exorbitant rates for their loans.

The Alabama Appleseed Center for Law and Justice Inc., Arise Citizens' Policy Project, the Alabama Poverty Project and AARP Alabama joined forces Thursday to sponsor a summit on the high cost of credit for low-income residents in the state and what can be done to protect consumers.

Shay Farley, legal director for Alabama Appleseed, said part of the goal of the summit was to develop strategies to stop predatory, short-term lending in the state, particularly payday lending. Farley said the groups want to build vocal coalitions that will expose predatory lending practices and raise awareness about how harmful they are to low-income Alabamians. Advocates and legislators who have gone to bat for such issues in the Alabama Legislature told the groups they'll need those voices if they hope to compete with the lobbyists who represent the short-term loan industry.

Stephen Black, founder of Impact Alabama and luncheon speaker at Thursday's summit, said in a world where people are less connected to one another and more able to avoid people who are not like them, it's easy to dismiss the problems of one's fellow man.

Black said the prevailing stereotype is that the people most likely to get stuck in the revolving door of short-term loans are "lazy and black."

"But the truth is the majority of people in poverty in Alabama are white," he said.

Black, who took on the independent tax preparer industry during the 2009 legislative session, said low-income residents both black and white are hard-working but many have very little if any real contact with them.

"We have to personalize and humanize this story," he said of the plight of the

Alabama's impoverished.

State Rep. Merika Coleman, D-Birmingham, said people affected by predatory loan practices have to speak up because legislators are certainly hearing from those who are in favor of keeping things as they are.

Coleman, who served as a panelist at the summit Thursday, chaired the House committee that handled legislation last year that would have regulated the independent tax preparer industry. She said that legislators on that committee heard from tax preparers and their lobbyists during that fight, and she expects any effort to reform short-term loan lending practices would meet with equal organized resistance.

State Sen. Quinton Ross, D-Montgomery, said those organizing behind this issue also have to develop innovative alternatives to the short-term loan industry because the people who frequent those businesses still have a need. Ross, who also served as a panelist at the summit, sponsored legislation last year to regulate the tax preparer industry that made it out of the Senate last year but was killed in the House. He pointed to a University of North Carolina study that found that there is such a growing demand, particularly in a down economy, for short-term loans that occasional borrowers have become chronic borrowers.

"We're going to have to do a better job educating people, but it is going to be a constant struggle because people are still suffering," he said.

Coleman said because 2010 is an election year for all legislators it will be difficult to pass any kind of sweeping reforms or even bills that legislators would consider controversial unless there is a groundswell of support.

Farley said advocates understand that the state is grappling with a financial crisis, but they want to add stopping predatory lending practices to the ongoing dialogue about reducing poverty in Alabama.

"I look at this as a pie, and policy reform is a part of that pie," she said. "But another sliver of the pie is educating the public about this issue and offering alternatives to payday lenders and informing people about those alternatives."
