

Testimony of the Reverend Dr. Frederick D. Haynes, III

Senior Pastor, Friendship-West Baptist Church, Dallas, TX

Before the U.S. Senate Committee on Banking, Housing and Urban Affairs

The Reemergence of Rent-a-Bank?

April 28, 2021

Good morning Chairman Brown, Ranking Member Toomey, and Members of the United States Senate Committee on Banking, Housing, and Urban Affairs. I am Frederick Douglass Haynes, III. I serve as Senior Pastor of Friendship West Baptist Church, a congregation of 12,000 parishioners in Dallas, Texas.

I am grateful for the opportunity to come before you to speak on behalf of a broad and diverse faith community to morally appeal to you to see how important it is to stop those who would use their greed to exploit those in need through high-cost predatory debt traps that we, of many faith traditions, overwhelmingly consider usury.

Usury and economic exploitation of the poor are condemned in all faith traditions. Those who exploit the poor through predatory practices are referred to as “wolves” in the scriptures. The predatory practitioners of “Rent-A-Bank” schemes may well be referred to as wolves dressed up in the legitimacy of a bank. The victims of such practices, however, testify that an economic predator by any other name is still trapping the desperate in debt. These “moral monsters,” to use the language of James Baldwin, feed their greed at the expense of the vulnerable.

For us, it is a simple matter of right and wrong, and we strongly oppose the Office of the Comptroller of the Currency’s plan to enable predatory lenders to ignore state interest rate caps by paying a bank willing to masquerade as the “true lender.” A few rogue banks are already participating in these exploitative agreements, and the OCC’s rule would certainly bless the arrangement of laundering predatory loans and allow such devious schemes to proliferate.

For many years, people of faith have come together and made a priority of challenging debt traps clad in deceptive wardrobes ranging from the crass quick-cash neon signs that litter the neighborhoods of the needy, to the polished promises of “fintech” lenders who claim to be the saviors of families who need “access to credit,” and the regulators who agree.

The con, of course, is that the “access” they impose on these families is a deceitful dead end to a debt booby trap, as they aim to draw them into a machine calibrated to siphon funds from their bank accounts until they have all but bled them dry. In many cases, their harm goes beyond reaping fees several times the dollar amount of their customer’s original loan to forcing a closed account, and thus sinking that family into a sea of bad credit options and ending their access to mainstream banking services. Many must file bankruptcy due to the moral bankruptcy of the predatory lenders, who make them pay a high cost for being poor.

I have seen the real-world impact of these debt traps on the lives of my parishioners far too often. A grandmother who had recently lost her husband and needed cash for medicine took a \$300 loan, and responsibly paid it off. But not before the debt trap machine did what it was designed to do and rolled her over several times, until she had paid back \$800 for that \$300 loan.

Another of my congregants, a recent college graduate, worked two jobs to make ends meet. When his mother became sick, he had to choose between paying his car loan and her medication and utilities. He took out a payday loan believing it would help him get through the crunch, but an interest rate of 450% set him up to bring him down financially, and he ended up losing the car he needed to get to work.

Unfortunately, these are just two of many examples of persons who experienced the “soul killing” of working hard for so little, while coming up short and needing an extension that dug them deeper into debt.

This clearly harmful and underhanded practice is played out in congregations of all faith traditions all across the country, and in communities that are already economically bereft, and underbanked. Predatory payday, car title lender and installment lenders rob financially vulnerable people of billions in fees every year, by replicating a dreadful, disadvantageous practice and hiring lobbyists to put a halo on their devilment for lawmakers and regulators.

Faith leaders across Christian, Jewish, and Muslim traditions have for decades been compelled to join together in the battle against usury and predatory lending debt traps. Faith groups representing 118 million Americans mobilized to call on the Consumer Financial Protection Bureau to enact a strong rule addressing the inimical systems of payday lending debt traps; and have been up in arms again as the rule faces threats.

I am a part of a coalition of conscience, Faith for Just Lending, that includes Christian denominations from the right to the left and across the broad middle who are bound together in opposition to predatory lending and inspired by a vision of fair and just financial practices that serve the dignity of all of our American families. The coalition includes Catholic Charities USA, Center for Public Justice, Cooperative Baptist Fellowship, Ecumenical Poverty Initiative, Ethics & Religious Liberty Commission of the Southern Baptist Convention, Faith in Action (formerly PICO National Network), National Association of Evangelicals, National Baptist Convention USA, National Latino Evangelical Coalition, The Episcopal Church, and United States Conference of Catholic Bishops, to name a few.

I am especially appalled by the harm done to communities that face historic divestment, who are exploited and suffer from economic injustice. These communities have historically been crippled by redlining and now they are being ripped off by the social violence of financial predators. For decades banks used maps to deny loans to communities of color and now they are using maps to serve as loan sharks of those same communities. We know that payday lenders have a history of setting up shop in Black and brown neighborhoods; we have seen this firsthand in the community surrounding our church, and research bears it out. Now these payday lenders are shifting to online loans through rent-a-bank schemes and targeting the same struggling communities.

That the OCC would open up our communities to more exploitation at a time when we are suffering so severely from COVID-19 and its economic impact is immoral and disgraceful, especially when we have seen some of these predatory lenders get Paycheck Protection Program (PPP) relief funds that kept their debt traps functioning through the crisis. That the OCC would make a rule giving predatory lenders a way to charge 200-400% interest and more, even in states that have fought hard to stop this predation with a 36% interest rate cap -- that is indeed obscene, and as we would put it in my faith community, sinful and demonic.

I offer with my testimony, letters from the Faith for Just Lending coalition and the Faith & Credit Roundtable calling for a repeal of the OCC's rule. All are engaged with efforts to end poverty; and are deeply concerned about the impact of the rule on our hardworking families and our financially vulnerable communities. The states have the authority and the responsibility of protecting consumers from predatory lenders, and Congress and the OCC must respect that authority.

We ask for your recognition of the vast, deep financial harm predatory lending causes along with the hurt and disruption it causes to families. We ask for you to follow the model of Jesus and announce, "Good news to those made poor by economic exploitation" and pass a 36% cap. There is a way to provide access to credit without engaging in legalized loansharking.

We ask, finally, for your strong and proactive support of the Congressional Review Act that will overturn the OCC's true lender rule, and remember the wisdom of Thomas Piketty who warns, "When private interests exceed the interest of the public, we cease to be a republic or a democracy."

Thank you for the opportunity to share my testimony today. I look forward to answering any questions you may have.

March 24, 2021

Re: Support Congressional Review Act (CRA) challenge to Office of the Comptroller of the Currency's (OCC) "National Banks and Federal Savings Associations as Lenders" rule

Dear Members of Congress:

We write to urge you to support the Congressional Review Act (CRA) challenge to the Office of the Comptroller of the Currency (OCC)'s "National Banks and Federal Savings Associations as Lenders" rule. The OCC rule overrides state usury laws, legalizing predatory lending even in states that have outlawed it.

Since its creation in 2015, Faith for Just Lending has called for limits on predatory lending. In the wake of the major economic disruption caused by the coronavirus pandemic, many Americans have lost their jobs, incomes, and social support. Now, more than ever, we should also prohibit usury and economic exploitation. Collectively our organizations and denominations represent millions of Christians across the country. Our churches and charities are actively engaged in efforts to end poverty, alleviate suffering and promote opportunities for all people to flourish. **We are deeply concerned about how the OCC's rule will impact the working families and vulnerable communities we serve.**

Over the last several decades, high-cost lending to those in need has increased significantly. Nearly 16,000 payday and car title loan stores operate nationwide. Taking advantage of loopholes and a weakening of traditional usury laws, many of these lenders now offer loans at 300% APR and higher. Far too often, the result is families trapped in a cycle of debt with even less ability to pay the bills, keep food on the table, save for the next emergency, or provide for their children. Currently 19 states and the District of Columbia have enacted rate caps to protect borrowers from usurious interest rates and fees.

The OCC's rule threatens existing state protections against predatory payday lending and emboldens lenders by encouraging non-bank lenders to partner with banks as the "true lender", thus evading state interest rate caps. The rule allows lenders charging interest rates of 179% or higher to evade state rate caps.

Scripture condemns usury and teaches us to respect the God-given dignity of each person and to love our neighbors rather than exploiting their financial vulnerability. Thus, just lending is a matter of Biblical morality and religious concern. Fairness and dignity are values that should be respected in all human relationships including business and financial relationships. Existing state rate caps of 36% APR and below allow for responsible products to thrive and flourish in the marketplace. They also serve as a bulwark against predatory actors.

We urge you to support the CRA challenge to the OCC's rule and urge you to respect the authority and responsibility of states to enact strong consumer protections without providing a loophole for predatory lenders to subvert existing state rate caps.

Sincerely,

The undersigned members of Faith for Just Lending

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**Southern Baptist Ethics
& Religious Liberty
Commission**

**National Latino
Evangelical Coalition**

**Cooperative Baptist
Fellowship**

**National Association of
Evangelicals**

**National Baptist
Convention, USA, Inc.**

Center for Public Justice



THE ETHICS & RELIGIOUS
LIBERTY COMMISSION
OF THE SOUTHERN BAPTIST CONVENTION



NAE | National Association of
Evangelicals



Faith & Credit Roundtable



April 27, 2021

Dear Members of Congress,

As people of faith concerned about the dignity and worth of all God's children, we write to urge you to support S.J.Res. 15/H.J.Res 35, the Congressional Review Act measure to overturn the OCC's so-called "true lender" rule. By enabling nefarious partnerships between predatory lenders and banks who are willing to pose as the true lender for a fee, the "rent-a-bank" scheme blessed by the rule would trample state consumer protections. This misguided rule allows non-bank lenders to effectively pay for a bank's exemption from state interest rate caps, enabling predatory lenders to charge far in excess of the usury cap in states where they operate. This circumvents the right of states to set and enforce usury caps that prevent predatory lending.

As faith leaders, we witness and minister to the pain and suffering in our communities. We see that time and again predatory loans make suffering worse. At a time of great economic peril in our nation, we urge you to vote to overturn this rule and focus instead on supporting hardworking people with fair and responsible resources.

Existing state rate caps of around 36% APR allow for responsible products to thrive and flourish in the marketplace. They also serve as a bulwark against predatory actors. The "true lender" rule provides an easy avenue for predatory lenders to evade these critical protections.

Forty-five states set caps on installment loans that could simply be ignored by high-cost lenders who partner with banks and make loans with terms that create a harmful cycle of debt. Eighteen states plus the District of Columbia cap interest rates on payday loans around 36% to stop this predation. Illinois joined the ranks of states stopping predatory payday lending in March of this year; in November 2020, Nebraska voters passed a 36% rate cap for payday loans at the ballot with 83% of voters in support of the measure. The harmful "true lender" rule gives predatory lenders a green light to enter all of these states and set up shop with lending schemes designed to drain wealth from those who have the least.

Scripture states in Proverbs 22:22 "do not rob the poor because they are poor." Our faith communities have worked long and hard to stop predatory lenders from robbing families and vulnerable communities of their very dignity. In fact, according to polling in January 2020, almost 70% all Christians are concerned about the practice of rent-a-bank. Too often, loans that are marketed as help instead make it more difficult to care for basic needs, provide for children, and build futures with financial stability and prosperity.

We strongly oppose the OCC "true lender" rule and urge you to vote to overturn it. The actions of states who have chosen protect consumers in their state deserve respect, American families deserve better, and God requires more from a just society.

Sincerely,

The Faith and Credit Roundtable

National Organizations

United Church of Christ, Justice and Local Church Ministries

National Baptist Convention USA Inc.

Cooperative Baptist Fellowship

Samuel DeWitt Proctor Conference

State/Regional Faith Organizations

The Ohio Council of Churches
Project GREEN, Grand Rapids, MI
Missouri Faith Voices
Mustard Seed Ministries
Faith Commons, Dallas, TX
LUCHA Ministries, Inc., Fredericksburg, VA
Cooperative Baptist Alabama, Birmingham, AL
Fifth Episcopal District, African Methodist Episcopal Church
Westside Sponsoring Committee, Pointe Coupee Parish, LA

Houses of Worship

First Baptist Church of Corona, East Elmhurst, NY
Friendship-West Baptist Church, Dallas, TX
New St. Mark Baptist Church, Baltimore, MD
South Main Baptist Church, Houston, TX
House of Love and Prayer, Harlingen, TX
Church of the Highlands, Shreveport, LA
Second Baptist Church, Memphis, TN
Faith Baptist Church, Georgetown, KY
Denver District AME Zion Church, Denver, CO

Individual Faith Leaders

Rev. Dr. Jay Kieve
Cooperative Baptist Fellowship South Carolina
Anderson, South Carolina

Rev. Dr. Stephen Cook
Second Baptist Church
Memphis, TN

Prof. Kristopher Norris
Calvary Baptist Church
Washington, DC

Robert Tucker
Crescent Hill Baptist Church
Louisville, KY

Erin Conaway
Seventh & James Baptist Church
Waco, TX

Cliff Vaughn
Good Faith Media
Nashville, TN

Bil Baxley
Greystone Baptist Church
Raleigh, NC

Richard Sample
Cooperative Baptist Fellowship
Fremont, CA

Karen Morrow
Cooperative Baptist Fellowship
Clifton, TX

Minister Susie C. Reeder
Snyder Memorial Baptist Church
Fayetteville, NC

Associate Pastor Dihanne Moore
Oasis International Worship Center
Decatur, GA

Rev. Aaron Brittain
Talbot Park Baptist Church
Norfolk, VA

Caitlyn Gudmundsen
Ravensworth Baptist Church
Lutheran Services in America
Fairfax, VA

Rev. Kristin Ericka McAttee
Cooperative Baptist Fellowship of Oklahoma
Norman, OK

Rev. Dr. Scott L. Stearman
Cooperative Baptist Fellowship
Atlanta, GA

Attorney John Miller
Wesley Memorial UMC
Wilmington, NC

Dr. Preston Clegg
Second Baptist Church
Little Rock, AR

Rose A Bear
Baptist Collegiate Ministry
Terre Haute, IN

Paulette Reeves
First Baptist Church
Austin, TX

Rev. Jeni Cook Furr
Woodland Baptist Church
San Antonio, TX

Sharon Vickrey
Royal Lane Baptist
Dallas, TX

Luise Snell
Waco, TX

Terri Byrd
Cooperative Baptist
Birmingham, AL

Pastor Lloyd Fields
Greater Gilgal Baptist Bible Church
Kansas City, Missouri

Dr. Greg Smith
LUCHA Ministries, Inc.
Fredericksburg, VA

Leslie Weirich
Second Baptist Church
Liberty, MO

Pastor Michelle Carroll
First Baptist Church at the Singing Bridge
Frankfort, KY

Jerilyn Sanders
The Chalmers Center
Flintstone, GA

Carolyn Hansen
Compassion Coalition
Knoxville, TN

Rev. Dr. Charles E. Goodman, Jr.
Tabernacle Baptist Church
Augusta, GA