



Payday Loans

Passed MJCCR Board January 16, 2008

The Milwaukee Jewish Council for Community Relations supports legislation that regulates the payday loan industry, capping annual interest rates and finance fees at a maximum total of 36% of the loan, consistent with the Federal cap for military families, and including adequate consumer protections.



Board of Directors

January 16, 2008

Minutes

Attendance: Rabbi Steve Adams, Al Altman, Joyce Altman, Jordan Atinsky, Jane Avner, Eliot Bernstein, Ellis Bromberg, Judy Eglash, Ruth Farber, Rosalie Gellman, Shel Gendelman, Gerald Glazer, Jill Goldstein, Eileen Graves, Bruce Herman, Melanie Hersch, Moshe Katz, George Kofman, Bernie Kristal, Judy Kristal, Jessica Lasser, Gary Lippow, Bob Meyeroff, Susan Miller, Joel Pittelman, Evelyn Rosen, Lucy Rosenberg, Jeff Schwarz, Naomi Soifer, Michael Sperling, Jason Steigman, Mort Swerdlow, Lazar Troychanskiy, Amy Waldman, Merle Wasserman, Esther Weingrod, Debbie Zemel. Guest: Barbara Stein, Staff: Paula Simon, Barbara Beckert, Kathy Heilbronner, Jeri Danz.

Minutes of the November 14, 2007 Board of Directors meeting were approved.

Jewish Community Capitol Campaign Agency Mezuzah Presentation and Council Recognition of Barbara Stein for Naming Gift of MJCCR Executive Director's Office

Moshe Katz, on behalf of the Jewish Community Capitol Campaign shared a d'var Torah as the context for the presentation of the agency's mezzuzot and shared some information about the artist and design of the mezzuzot, and the significance of a mezuzah as both a symbol of, and reminder about the work of the Council. Paula introduced Barbara Stein, and conveyed the appreciation and thanks of the agency for the naming gift of the Executive Director's office, made by Barbara Stein to honor the memory of Marty Stein.

Recommendation from the Anti-Semitism and Constitutional Law Task Force to approve the 2007 Audit of Anti-Semitic Incidents.

Gary Lippow, Chair of the Anti-Semitism and Constitutional Law Task Force introduced the report. Board members were reminded about the confidentiality of the information and the importance of confidentiality in order to encourage reporting and maintaining privacy. Board members were reminded that identifying information included in the documents for review will not be part of the final report. At the end of the meeting, we would like to collect the incident reports and any additional materials. A final copy of the Audit will be distributed to all members. Gary also reviewed the process used by the task force to deliberate the 2007 Audit of Anti-Semitic Incidents. All incidents reported to the Council were reviewed individually by the task force. Corroborating or supporting materials were reviewed. Some incidents required additional information or follow-up. The task force and Executive committee reviewed photos, copies of letters, etc, and made an effort to understand each incident in context. A recommendation is made to include or exclude. No judgment is made regarding the severity of the incident, although some are obviously more serious than others. Incidents are categorized to help identify trends. The audit is distributed to **All Jewish organizations, institutions, synagogues, law enforcement**, Law enforcement agencies (Federal and local), ADL, and the media, as appropriate.

Some specific information about this year's report was provided. There were FEWER REPORTED INCIDENTS and fewer incidents ultimately included as part of the audit. The task force recognizes that this isn't the total number of incidents, but rather just reflects those reported and might not

include many off-hand comments or questionable inferences. Fewer reports are not uncommon in a year when tensions in Israel are not as high. The final report as recommended includes 11 incidents. Most are in the category of written/verbal expression. Board members also received a list of reported incidents that were reviewed but not included in the final report. As in past years, an issue was raised regarding the line or distinction between Anti-Semitic vs. Anti-Zionist sentiment. Other concerns related to how the Council accounts for and/or monitors proselytizing and anti-Zionist sentiment that is not considered anti-Semitic. Also questioned was how to consider email or other electronic materials which are generated out of state or may be “bulk” but are mailed specifically at people in-state (for example Wisconsin Jewish Chronicle staff).

A motion was made to approve the report as recommended. Motion seconded.

A motion and second were made to amend the audit to exclude the incident relating to the flyer distributed by the “Islamic Truth Society”. There was consensus that the flyer was definitely anti-Zionist, but there was not agreement as to whether it was also “anti-Semitic”. The materials do not specifically defame, prejudice, stereotype or target Jews or Judaism for their religious beliefs or affiliation. A counter argument was made that by specifically choosing to use the symbols and teaching of the “Nuturei Karta” it was covert anti-Semitism, similar to the methods used by Messianic Jews. By alluding to the authenticity of this faction of Judaism and its beliefs, an effort is being made to disenfranchise other streams of Judaism, as well. For many Board members, the fact that the flyer provoked a sense of being unsettled or unsafe, indirectly contributes to anti-Semitism. Upon a vote, the motion to amend to exclude the amendment failed. There was no further discussion. Motion and second to approve the report as recommended passed.

Recommendation from the Domestic Public Policy Task Force to adopt a position on Payday loans

Materials related to this issue were included in the packet of information distributed for this meeting. Mike Sperling, Co-Chair of the Domestic Public Policy Task Force presented background some background on this issue. The Domestic Public Policy Task Force is continuing our work on issues of poverty. Milwaukee has the 8th highest rate of poverty in the county, and the 4th highest rate of children living in poverty. As we have looked at the challenges facing low income people in the Milwaukee area, one of the issues brought to the task force was predatory payday lending. There are now more than 500 payday loan stores in Wisconsin – and the number is growing. Payday lending is characterized by extraordinarily high interest rates - the APR (annual percentage rate) interest ranges from 390% to over 700%. The vast majority of people who access these loans are lower-income and financially vulnerable (many are single moms). They are least able to pay these really high percentage rates and as a result, almost 40% of the borrowers end up rolling over their loans more than three times in a year, going ever deeper into debt.

A number of states are regulating payday lending because of these concerns and eleven have banned it. In 1980 Wisconsin repeal its usury laws. Therefore, the task force is recommending, with approval from the Executive Committee, the following position:

The Milwaukee Jewish Council for Community Relations supports legislation that regulates the payday loan industry, capping annual interest rates and finance fees at a maximum total of 36% of the loan, consistent with the Federal cap for military families, and including adequate consumer protections.

Motion and second to approve. A concern was raised that this position is counter to a “free-market” economy, and that capping the interest rate and finance fees, would mitigate business responses to unforeseen events in the economy. Larger concerns were raised about the impact of predatory lending and interest rates as see in the current mortgage crisis. Significant concern was raised about how much consumers understand about these type of lending practices. Specifically, a recommendation was made that the position should support strong financial education so that consumers are aware of the real consequences of loans with uncapped and high interest rates. A motion was made to amend the position

to insert the word “education” in the clause related to adequate consumer protections. The Motion was considered as a friendly amendment. A question was raised regarding the Council’s action on specific pieces of legislation. At this point, there is no immediate need for action on specific legislation. As bills are considered, the position will be used as a framework for analysis. The motion to adopt a position on payday loan legislation passed.

Executive Directors Report

Paula Simon reviewed the calendar of upcoming events. She then informed the Board that she had reluctantly accepted Barbara Beckert’s resignation from the Council, effective mid-February. Barbara has accepted a position as the Milwaukee Officer Director of Disability Rights Wisconsin. Paula spoke briefly about Barbara’s tenure at the Council and the realization that she is “irreplaceable”. The officers will meet to discuss and establish the process for hiring staff to meet the agency’s needs. A date and time will be set to recognize Barbara’s contribution to the Council and a more formal “good-bye”.

Recommendation by the Domestic Public Policy Task Force Regarding Payday Loans

The Domestic Public Policy Task Force is continuing our work on issues of poverty. Milwaukee has the 8th highest rate of poverty in the county, and the 4th highest rate of children living in poverty. As we have looked at the challenges facing low income people in the Milwaukee area, one of the issues brought to the task force was predatory payday lending. There are now more than 500 payday loan stores in Wisconsin – and the number is growing. Payday lending is characterized by extraordinarily high interest rates - the APR (annual percentage rate) interest ranges from 390% to over 700%. The vast majority of people who access these loans are lower-income and financially vulnerable (many are single moms). They are least able to pay these really high percentage rates and as a result, almost 40% of the borrowers end up rolling over their loans more than three times in a year, going ever deeper into debt.

A number of states are regulating payday lending because of these concerns and eleven have banned it. Based on our work on issues of poverty, the Domestic Public Policy Task Force recommends that the Council include regulation of payday loans on our advocacy agenda. We recommend that the MJCCR, working in consultation with Michael Blumenfeld, consider supporting proposals in the state legislature which would regulate payday loans and provide consumer protections.

Background

Convenient lending, primarily payday lending is a growth industry. It is growing exponentially. Most convenient lending in Wisconsin is unregulated. Convenient lending includes pawn brokers, payday lenders, car title lenders, refund anticipation loans, pay stub loans, holiday loans and check cashing businesses. Pawn brokers are limited to a 36% APR interest rate and are regulated. The other types of convenient lending are not limited to any interest rate.

Payday lending is the most well-known of the convenient lenders. The people most likely to use payday lenders are single moms. Consumers are encouraged to roll over what they owe into a new payday loan. That typical consumer rolls over the payday loan 8 times. The way that payday lenders operate, the APR (annual percentage rate) interest ranges from 390% to over 700%. (The average annual interest rate for payday loans is 542%, according to a 2001 study by the Wisconsin Department of Financial Institutions.) It has been suggested that payday lenders are filling the niche formerly held by loan sharks making the kind of small loans that banks won't. It is estimated that payday lenders make 99% of their profit from repeat borrowers.

This is truly a consumer protection issue - most of the people who access these loans are lower-income and least able to pay these really high percentage rates. There are efforts, with mixed results, to legislate some sort of regulation of payday lenders. Eleven states ban payday lending. Wisconsin does not. Nor does Wisconsin set any kind of interest rate cap on loans.
(Source: Milwaukee League of Women Voters study)

Jewish Values and Payday Loans

Jewish tradition has always been aware of the importance of allowing poorer people access to loans. Indeed, in Maimonides - famous description of the eight levels of charity, the highest level is lending money to, or going into partnership with, a poor person so that they can become self-supporting. In biblical times, the laws of the sabbatical year and the jubilee were created. In the sabbatical (seventh) year there was to be a remission of debts and in the jubilee (50th) year, land, which had been sold to pay of debts, was to be returned to its original owners, and slaves were to be freed. There may be academic debate about the degree to which the sabbatical year and jubilee were a regular part of life in ancient times, but there is no doubting the principles that underpin them. That is, people find themselves in debt for various reasons, often no fault of their own, and it is the duty of an ethical society to ensure that these people are not permanent social outcasts.

The sage Hillel maintained a spirit of this tradition in Talmudic times, even as he radically altered the law. He created the law of the prosbul to ensure that commercial credit would still be available even just before a sabbatical year. The great academies of the time accepted that the poor needed to have access to credit, but also that lenders were right to expect it to be paid back. But through all this legislation,

biblical and rabbinic, it is clear that one aspect of lending and borrowing money was completely forbidden — the charging of excessive interest. We must assume that the sages recognized how easy it was for interest to escalate and ruin people. In modern times we know that reasonable rates of interest are essential to enable normal financial life to continue. But punitive rates of interest that ruin families, businesses and countries, are completely unacceptable.
(Source – Religious Action Center of Reform Judaism)

SUMMARY FOR PAYDAY LOAN & AUTO TITLE LOAN LEGISLATION AS OF 11/20/07

PAYDAY LOAN LEGISLATION

AB-211 was introduced by Representative Tom Nelson (D-Kaukauna) on March 27th, 2007. After its introduction, it was referred to the committee on Financial Institutions. If passed, this bill would change the licensing requirements already established by the Department of Financial Institutions so that a lender would have to register based on the amount of a loan, rather than the finance charge. Under the bill, a lender other than a financial institution must obtain a license if the lender makes a consumer loan of \$5,000 or less.

The bill also prohibits a lender who is so licensed from assessing a finance charge on a consumer loan that exceeds 36 percent per year. The bill also creates a definition for "finance charge," which includes all cost elements associated with an extension of credit, including fees, service charges, renewal charges, credit insurance premiums, the cost of any ancillary product sold with an extension of credit, and any other charge or premium. Under the bill, DFI enforces the foregoing prohibition. A person who violates the prohibition is subject to the same penalty that applies under current law to a licensed lender who does not obtain a license, which is a fine of not more than \$500, imprisonment for not more than six months, or both.

AB-511 was introduced by Representative Andy Jorgensen (D-Fort Atkinson) on September 20th, 2007. After its introduction, it was referred to the committee on Financial Institutions. If passed, this bill would define a payday loan as "a transaction between an individual with an account at a financial establishment and the payday loan provider in which the provider agrees to either: 1) accept from the individual a check, hold the check for at least three days before negotiating it, and before negotiating the check pay the individual an agreed amount; or 2) accept the individual's authorization to initiate an electronic fund transfer (EFT) from the individual's account, wait for at least three days before initiating the EFT, and before initiating the EFT pay the individual an agreed amount."

This bill also requires a payday loan provider, at least 15 minutes before entering into a payday loan with an applicant, to: 1) disclose to the applicant the total amount of all fees and costs, in dollars, and the annual percentage rate (APR), to be paid by the applicant assuming that the loan is paid in full at the end of the loan term; and 2) provide to the applicant a copy of certain written informational materials, described below, developed by the division. The payday loan provider must retain, for at least three years after the origination date of the payday loan, a record of compliance with these requirements.

The bill also requires each payday loan provider to report annually to the division and pay a report filing fee. The report covers the payday loan provider's business in the preceding calendar year and must include information required by the division. The report must also contain specified information, aggregated for all customers, including: 1) the number of payday loans originated, the number of payday loans rolled over, and the average number of times a rolled over payday loan was rolled over; 2) the average total fees, including costs and penalties, and average APR, for all payday loans of the payday loan provider, categorized by loans that were not rolled over and loans that were rolled over; 3) the number of payday loans resulting in the customer's default; and 4) the number of payday loans on which the customer's payment method was dishonored for insufficient funds and the average fees, including costs and penalties, charged to customers due to these insufficient funds accounts.

AB-574 was introduced by Representative Josh Zepnick (D-Milwaukee) on November 13th, 2007. After its introduction, it was referred to the committee on Financial Institutions. If passed, this bill would define a payday loan as "a transaction between an individual with an account at a financial establishment and the payday loan provider in which the provider agrees to either: 1) accept from the individual a check, hold the check for at least three days before negotiating it, and before negotiating the check pay the individual an agreed amount; or 2) accept the individual's authorization to initiate an electronic fund transfer (EFT) from the individual's account, wait for at least three days before initiating the EFT, and before initiating the EFT pay the individual an agreed amount. A payday loan provider may not make a payday loan in a principal amount that exceeds \$800 or 50 percent of the applicant's next paycheck, whichever is greater to as a "licensed lender." A licensed lender must have a separate license for each place of business it maintains."

The bill would limit a consumer's ability to "rollover" a payday loan. The bill defines "rollover" as the refinancing, renewal, amendment, or extension of a payday loan. Under the bill, a payday loan

provider may enter into no more than one rollover of a consumer's payday loan and, before entering into such a rollover, the consumer must make payment, applied to the existing payday loan, that reduces the outstanding balance on the existing payday loan by at least 50 percent. The bill also prohibits DFI, or any other state agency, from establishing or maintaining a database of individuals who enter into payday loans.

AUTO TITLE LEGISLATION

[AB-529](#) was introduced by Representative Josh Zepnick (D-Milwaukee) on October 4th, 2007. After its introduction, it was referred to the committee on Financial Institutions. If passed, this bill would prohibit a licensed lender from making or offering a motor vehicle title loan. The bill defines "motor vehicle title loan" as a loan of \$25,000 or less to a borrower that is, or is to be, secured by a non-purchase money security interest in the borrower's motor vehicle and that has an original term of not more than three months.