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PROPONENT for SB 218 -- Informational Testimony concerning Payday Loan Reform

Kansas Senate Financial Institutions and Insurance Committee

Kansas Catholic Conference: Chuck Weber, Executive Director Chuck@KansasCatholic.org

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Chairman Longbine and members of the Committee,

“In Imitation of Our Master, we Christians are asked to confront the poverty of our brothers and sisters, to touch it, to make it our own and to take practical steps to alleviate it.” (Pope Francis)

My name is Chuck Weber, and I serve as Executive Director of the Kansas Catholic Conference, representing the Catholic Bishops of Kansas in the public policy arena. On their behalf, I would like to express our gratitude for this opportunity to testify at this informational hearing for SB 218. This is legislation concerning financial products sold in Kansas commonly referred to as “payday loans” that we believe contribute to the destabilization of family financial health.

The spiritual, mental, and physical wellbeing of Kansas families, the very building block of our society and culture, is of deep concern for the Catholic Church. Families have been described by Catholics since ancient times as the “domestic church.” What happens within the family does not stay in the family. It has a ripple effect that changes the world around them—for better or worse.

This includes the stability of family finances, which can and do deeply impact family life, health and prosperity. There is nothing quite like a father or mother’s distress and anxiety when confronted with the pressure of “payment due” for the basics of daily life.

All too often we turn to the State or to legislation to resolve life’s challenges. Struggles within the family are a part of life. The Government, or in this case government legislation, cannot eliminate these struggles. **But to the extent possible, good public policy can help improve family life. If families are healthier and more vibrant, a healthier and more vibrant society will surely follow. This is the proper role of government and legislation.**

We believe current payday loan industry practices take unfair advantage of the financially vulnerable in times of crisis. For many years, the Catholic Conference has worked for legislative action that would bring some improvements.

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The primary objection to reform has been that many citizens are content with the products. Those who are not should simply refrain from procuring them.

This objection gets to the heart of the problem with high-interest, small dollar loans – the fact that while the borrower does freely contract for the loan, he or she frequently does so under duress, without the benefit of basic consumer protections that regulate every other financial product and industry in Kansas.

Legislation like SB 218 cannot eliminate financial duress. But SB 218 can help make this product safer and better for individuals and families and for all Kansans. This can be done without outlawing Payday Loans or eliminating the industry.

This is not a new problem. Our State Library contains a hand-typed report prepared for the Committee on Small Loan Interest Rates of the Kansas Legislative Council from 1935. We link to this historical and fascinating document that demonstrates how, nearly a century ago, your predecessors were already concerned about small-dollar, high-interest loans.

<https://cdm16884.contentdm.oclc.org/digital/collection/p16884coll8/id/420>

The title of that document is ***The Loan Shark Problem in Kansas***. It concluded that the usury laws in Kansas were completely inadequate to solve the problem of “the indigent population” making use of such loans, **not because citizens believed them to be sound, beneficial financial solutions, but because they were desperate. Despite hard labor and frugality, the report states, Kansans ignored horrendous interest rates to pay for a doctor because their spouse was dying, or children were starving when work could not be found.**

While it is true that Kansans procure Payday Loans freely and with understanding, they are almost always taken out under duress. This then often starts a spiral of household indebtedness.

The Committee on Small Loan Interest Rates recognized that adequate usury laws were difficult to craft for these loans, but it did recognize that *duress* was at the heart of the practice.

The statements concerning usury in the Kansas Supreme Court Ruling in the 1935 Preliminary Statement echo the continuous teaching of the Catholic Church on lending to the poor.

To facilitate a discussion on this complex issue, the Background on Predatory Banking and Payday Lending by the United States Catholic Conference of Bishops was prepared.

<https://www.usccb.org/resources/background-predatory-banking-payday-lending>

The Catholic Church has always championed personal responsibility. The Catholic Church has also recognized the legitimate role of government. Products and services sold to the vulnerable and desperate ought to be limited by, at the very least, the same level of consumer protection and regulation of mainstream products.

We respectfully ask that you carefully consider and support SB 218. Thank you.