

Women's Opportunity and Resource Development, Inc.

EXHIBIT 5
DATE 2-15-05
HB 494

WORD

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Family BASICS
Offers community
and school-based
family support

FUTURES
Career readiness
and support services
for teen parents

GEARING UP
Non-Traditional
job training
for women

homeWORD
Building sustainably
for low-income
families

COMMUNITY
OUTREACH
In Other Words -
radio show
Conferences
Feminist discussions

MPIRC
Montana Parent
Information Resource
Center - Statewide
center for school-based
and community-linked
services for parents

CPACC
Center for Policy
Analysis and
Community Change
Provides public policy
analysis and
community-based
research and education

February 4, 2005

House Business and Labor Committee
Montana House of Representatives
PO Box 200400
Helena, MT 59620-0400

RE: HB494

Greetings Chairman Keane and Committee Members:

We urge you to support HB 494, which will protect Montana borrowers from predatory payday loans by replacing critical consumer protections into the Deferred Deposit Lending Act. In order to stop predatory payday lending, HB 494 will:

- Create a responsible APR cap of 36% (currently there is no APR cap; the average payday loan has an APR of 600-700%.)
- Require payday lenders to disclose loan costs using APR consistent with the federal Truth in Lending Act, so borrowers may compare credit costs;
- Require a fair period of time for repayment so borrowers are not trapped in a cycle of repeat payday loans;
- Require payday lenders to accept partial payments toward principal; and
- Create civil liability in cases of lending violations, regardless of whether violations were intentional.

As a women's community development organization, we are concerned that payday loans target women and trap them in a cycle of expensive finance fees. According to the Center for Responsible Lending, "Sources both outside and inside the industry suggest that payday lending impacts women disproportionately. Two out of three respondents to a national survey of payday borrowers conducted in May of 2004 were women.ⁱ An Illinois study found that over 60 percent of the borrowers being sued by a major payday lender were women."ⁱⁱ **And one payday lender's business plan blatantly states that "welfare-to-work mothers [are an] excellent opportunity for check cashing and cash advance businesses."ⁱⁱⁱ** A payday loan industry website estimates that 60% of PDA consumers are female, and explains, "This is good for our industry because, generally speaking, females manage their money better. They are better payers and better borrowers."^{iv}

Women in Montana earn \$0.58 cents for every \$1.00 a man earns, yet they are targeted by the most expensive lending industry in the state. All Montanans deserve access to fair credit, not predatory loans that pull them deeper into debt. This especially hampers women's opportunities for financial stability and economic independence.



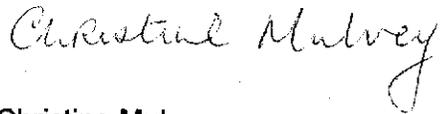
Our Family Basics program, which provides housing counseling and general advocacy for at-risk families, estimates that **80% of its clients (most of whom have been recently evicted or are at risk of eviction) have either a payday loan, title loan, or both.** The traps created by these loans are causing families to turn to programs like ours for assistance in keeping basic needs met like utilities and shelter.

The payday lending industry has prospered, yet their customers inevitably turn to us in crisis. Something is wrong with this picture. Payday lending is not just the problem of a family who gets trapped in a loan – it has truly become a community problem in that it has increased the burden on social service agencies who were already struggling to keep up with the need.

Please support the consumer protection measures proposed in HB494. They are desperately needed to prevent more families from becoming financially devastated and even homeless because of predatory payday lending.

Thank you.

Sincerely,



Christine Mulvey
WORD Director
Women's Opportunity and Resource Development



Kristi Gough
Program Director
WORD Family Basics Program

¹ Patricia Cirillo, "Payday Advance Consumer Satisfaction Survey," Cypress Research Group, May 2004.

² Utah Consumer Lending Association study, Io Data Corporation, July 2001.

³ "A Business Plan for the Cash Exchange," on file with the Center for Responsible Lending.

⁴ Tri-House Enterprises payday loan industry newsletter. <http://www.paydaymanual.com/payday-loan-newsletter.html>