



Center for Civil Justice Opposes HB 5097 (H-5) Draft 2 Legislation Allowing Pay Day Lenders to Make Loans

**House Ways & Means Committee Meeting
May 27, 2020**

Dear Chairperson Iden and Members of the House Ways & Means Committee:

We are writing in opposition to the latest draft substitute for HB 5097, the (H-5) Draft 2 before you today, a bill which expands payday lending in Michigan, allowing payday lenders to enter into small loan transactions up to \$2,500.

The Center for Civil Justice (CCJ) is a law firm that advocates for low-income people in Michigan to ensure greater access to basic needs and services, particularly related to food and nutrition, healthcare, housing and monetary support to improve economic stability and self-sufficiency.

CCJ opposes payday lending overall because it takes advantage of low-income people in Michigan and disproportionately targets communities of color. Widespread racial, geographic and economic discrimination forces many in Michigan communities to risk their financial futures on predatory products and services.

Even as revised, this version of HB 5097 allows for the payday lender to charge an 11% service fee monthly which is the equivalent of an APR of 132%! This means that on a \$2,500.00, one-year loan, a borrower would pay back more than \$4,000.00.

Other states that allow payday lending have capped interest rates at 36% or less. Allowing lending policies that expand predatory lending practices in our state, essentially trapping residents in a cycle of debt, especially during a pandemic, is not a direction that Michigan should pursue. Instead, Michigan should ensure that there is ample rent and mortgage relief available to prevent homelessness which allows a safer option than a high-interest payday loans.

[Service providers are invited to contact CCJ regarding recurring obstacles to serving low-income communities.](#)

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In closing, we urge you to oppose HB 5097, even the revised version before you today. Please do not hesitate to contact me with any questions or concerns. Thank you for your consideration of our views.

Sincerely,

CENTER FOR CIVIL JUSTICE



Kelly L. Bidelman
Executive Director

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recurring obstacles to serving low-income communities.**

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