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Payday Lending Drains Economy

RESPONSIBLE LENDING

Charlene Crowell

One of the worst ironies of the nagging economic recession is that consumers with the fewest financial resources have lost the most. Now, a new report finds that payday loans not only strip much-needed income from low-income families; but also harms the economic viability of the communities where they operate, draining nearly $1 billion a year. Written by the Insight Center for Community Economic Development (Insight Center), it also reveals other net negative impacts of these small-dollar, high cost loans on economic growth and personal bankruptcy filings.

The Insight Center examined the net economic impact of the $3.3 billion in interest that borrowers paid to non-bank payday lenders in 2011. The study found that if consumers collectively had an additional $3.3 billion in discretionary spending, it would have resulted in $6.34 billion in economic activity and created 79,000 jobs.

In comparison, payday lending activity added $5.56 billion to the national economy and created 65,000 jobs.

Combining these figures shows a net loss from payday lending of $774 million in economic growth and over 14,000 jobs — in addition to $169 million lost through Chapter 13 bankruptcies.

The report states, "This nearly $1 billion loss in economic activity should serve as a strong signal that, in addition to the well-documented harm to the families directly receiving payday loans, payday lending harms local community economies and the overall economy."

"Payday lending drains over $2.5 million from the economy each day", continued the report. "In addition, we estimate that more than 38 people lose their jobs each day due to the economic drain of payday lending."

Payday lending has been a centerpiece of the Center for Responsible Lending's research and policy efforts over the past decade. CRL also supported the new report's development.

Earlier CRL research determined that each year 12 million Americans become entrapped in payday loans, taking out an average of nine loans per year. With more than 22,000 locations, there are more than two payday stores for every Starbucks coffee store.

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CRL has also documented how storefront payday lenders tend to concentrate locations in low-income and communities of color. The Southern states of Alabama, Louisiana, Mississippi, Tennessee, and South Carolina had the highest number of payday stores per 10,000 residents. Outside of the Deep South, Missouri and Nevada were the only states with comparable density of payday storefronts.

Similarly, the Insight Center found that five states were charged the greatest amount of payday loan interest were California, Texas, Florida, Mississippi and Illinois. In these locales, financial payday losses ranged from $135 million in California to $55 million in Illinois.

Remarking on the Insight Center's new findings, Keith Corbett, CRL executive vice-president said, "Payday lending is really financial assault on communities of color. By preying on consumers with few resources, this predatory product takes what little they have and winds up leaving borrowers worse off than before these loans."

Corbett's comments are underscored by the Insight report. "Far from creating opportunity, payday lending creates impoverished households and endangers local economies.

Charlene Crowell is a communications manager with the Center for Responsible Lending.

Will Supreme Court Kill Affirmative Action?

THE CURRY REPORT

George E. Curry

A decade after carefully ruling in two University of Michigan cases – striking down the undergraduate admissions procedures and upholding those implemented by the law school – the U.S. Supreme Court seems on course to strike down even the mildest form of affirmative action admissions in higher education.

After oral arguments in a case brought by a White student who was denied admission to the University of Texas at Austin, the justices are expected to hand down a ruling in late June or early July. Rather than await the outcome of that case, last week the court accepted another challenge to affirmative action in Michigan, which will not be argued until the October term.

The fact that the court accepted the Texas and Michigan cases, after higher education officials thought the matter was settled law, is a clear indication that the conservative-leaning court plans to eviscerate race- and gender-conscious college admissions programs, no matter how conservative or narrowly drawn. If the court had other intentions, it would have left lower court rulings favorable to affirmative action in the two cases stand.

Fisher v. University of Texas at Austin, the case the court is expected to rule on in late June, was brought by Abigail Fisher, a 22-year-old White woman who was rejected for admission in the fall of 2008. Under the University of Texas admissions program, the top 10 percent of each high school graduating class was guaranteed admission to the state's flagship university. When Fisher applied, 90 percent of the students were selected that way.

The other 10 percent of applicants were admitted based on a variety of factors, including extracurricular activities, awards and honors, work experience, socioeconomic status, standardized test scores and race. Of all of those factors, Fisher decided to challenge admissions because the university considered race as one of many factors.

> If the court had other intentions, it would have left lower court rulings favorable to affirmative action in the two cases stand

"Race is only one modest factor among many others weighed; it is considered only in an individualized and contextual way… and admissions officers do not know an applicant's race when they decide [who] to admit in UT's process," the university argued in its brief.

University of Texas officials said if the modest affirmative action program had not been in place, Fisher still would not have qualified for admission. The district and appeals courts agreed, ruling against Fisher. But the Supreme Court decided to accept the case anyway.

Even more surprising was the court's decision to accept another Michigan case, Schulette v. Coalition to Defend Affirmative Action, while Fisher is still pending.

After the Supreme Court upheld affirmative action in the University of Michigan law school case, 58 percent of voters adopted Proposal 2 in 2006, which prohibited discrimination or preferential treatment in public education, government contracting and public employment based on race, ethnicity or gender. It was modeled after a ballot measure passed by California voters in 1996.

Supporters of affirmative action in Michigan, lodged a legal challenge to Proposal 2, paving the path for the U.S. 6th Circuit Court of Appeals in Cincinnati to rule 8-7 that ballot initiative, which amended the state constitution, violated the federal Constitution's Equal Protection Clause.

According to the NAACP Legal Defense and Educational Fund, the percentage of Black students enrolled at the University of Michigan had dropped from 6.7 percent in 2006 to 4.5 percent in 2010 as a result of Proposal 2.

The permissible use of affirmative action was thought to be decided for good in 2003. In Gratz v. Bollinger, the court ruled that the University of Michigan's undergraduate admissions program violated the Equal Protection Clause of the 14th Amendment when it assigned 20 points to minority applicants.

But in Grutter v. Bollinger, the court ruled that when narrowly tailored, race can be lawfully used in combination with other factors as part of the University of Michigan Law School admissions process. In her written opinion, Justice Sandra Day O'Connor cited benefits of "obtaining the educational benefits that flow from a diverse student body."

O'Connor, who has since retired from the court, said she did not envision affirmative action in place forever. In fact, she suggested 25 years, without giving a reason why it would not be needed beyond that point.

Now, just 10 years later – and despite this nation's horrible history on race – the conservative majority on the court seem unwilling to leave affirmative action in place for another 15 years.

As Justice Stephen G. Breyer, a supporter of affirmative action, said last October: "Grutter said it would be good law for at least 25 years, and I know that time flies, but I think only nine of those years have passed."

George E. Curry, former editor-in-chief of Emerge magazine, is editor-in-chief of the National Newspaper Publishers Association News Service (NNPA.) He is a keynote speaker, moderator, and media coach.