

Don't Let Bank Payday Exploit Seniors and Their Social Security

The term “payday loans” often evokes images of stores with garish neon signs; but these products have moved into the banking sector that is supposed to be more respectable. About half a dozen banks now push payday loans, though they give them more enticing names such as “Ready Advance” or “Easy Advance”. Yet there is nothing easy about a loan with a triple-digit interest rate and terms designed to entrap.

Responding to public concerns and new research, federal banking regulators recently issued proposed rules and called for public comment on reining in bank payday lending.

Thus far, consumer advocates and lawmakers at both the state and federal levels have spoken up. The issue is generating even more notice because bank payday



RESPONSIBLE LENDING

Charlene Crowell

Special Committee on Aging, we take very seriously our responsibilities to seniors and elderly consumers who expect and deserve fair and transparent financial services”, said the Senators.

They added, “Social Security was created to provide seniors with financial support to help them cover basic living expenses not for banks seeking new sources of revenue by exploiting retirees with limited means.

Therefore it is critical that banks be discouraged from using government benefits as proof of income, and we would hope such a provisions would be included in the final guidance.”

Earlier this year, CRL released new research that refuted the claim by participating banks that their payday

loan products are only for short-term emergencies and carry marginal risks. Actual borrower experiences revealed a far different experience. Instead, the typical bank payday borrower:

- Is charged an annual percentage rate (APR) that averages 225-300 percent;
- Took out 19 loans in 2011, spending at least part of six months a year in bank payday debt; and
- Is twice more likely to incur overdraft fees than bank customers as a whole.

At that time, CRL advised, “More than 13 million older adults are considered econom-

Over one in four bank payday borrowers are a Social Security recipient

ically insecure, living on \$21,800 a year or less. Senior women in particular face diminished incomes because of lower lifetime earnings and therefore lower Social Security and pension benefits.”

Florida’s U.S. Senator Bill Nelson and Sen. Elizabeth Warren of Massachusetts together called for regulation that would specifically protect America’s older consumers. In a joint letter to the Office of the Comptroller of the Currency (OCC), the Senators cited their committee work as well as recent research by CRL.

“As Chairman and member of the Senate

TriMet Sets Records



PHOTO COURTESY OF TRIMET

TriMet celebrated its Disadvantaged Business Enterprise program May 30 at the Embassy Suites hotel, which the agency says set diversity records on the Portland-Milwaukie Light Rail Transit Project.

Pictured above are TriMet Executive Director of Capital Projects Dan Blocher; Director of Diversity and Transit Equity Johnell Bell; TriMet Board member T. Allen Bethel; and TriMet General Manager Neal McFarlane.

McFarlane said that more than \$110 million in contracts have been awarded to 108 firms owned by people of color and women, a new contracting record for any regional project.

“This is an amazing milestone that was achieved because of our commitment to inclusion, diversity and creating opportunities for these emerging small businesses,” said McFarlane.

The project has also increased the proportion of construction jobs going to people of color to almost 24 percent . In addition, 16 percent of the workforce are apprentices.

TriMet created the diversity program in 2000 in response to community concern that people of color had little access to lucrative job and contracting opportunities. The Yellow Line MAX was the first project to include the diversity program, and resulted in \$36 million in contracts for disadvantaged firms. That rose to \$62 million during the MAX Green Line project.

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Although Florida is often characterized by its large senior population, the most recently available U.S. Census data reveals that elderly poor live in many locales. More than one in five elderly residents in Boston, Chicago, Houston, Los Angeles and three of New York City’s boroughs is also poor. Nationwide, the worst concentrations of elderly poverty were found in the Bronx at 38 percent and Manhattan with 30 percent.

In its own comments to OCC, CRL advised, “Though the number of banks making payday loans remains small, there are clear signals that bank payday lending will grow rapidly without strong action by all the banking regulators. . . . At a time when older Americans have already experi-

enced severe declines in wealth resulting from the Great Recession, banks take these borrowers’ benefits for repayment before they can use those funds for health care, prescription medicines or other critical expenses.”

It appears that Senators Nelson and Warren would agree.

“Left unchecked, deposit advances pose a significant credit risk to the banking system, particularly if offered by an increasing number of banks. In the aftermath of a debilitating financial crisis and the ensuing economic recession, it is critical that banks maintain high quality underwriting standards for all types of loans, including deposit advances,” concluded the Senators.

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

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