



“Challenging People to Shape a Better Future Now”

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Banks Pull Exploitive Payday Loans

More good news keeps coming for consumers in early 2014. On the heels of new mortgage rules that took effect January 10, the following week four banks making payday loans pulled their products from the market. Announcing a halt to their triple-digit interest rates were Wells Fargo, Regions, Fifth Third and US Bank. Together, these lenders have combined assets of \$2.1 trillion, serving customers through 30,000 branches and more than 21,500 ATMs across the country.

Sometimes known as advance deposit loans, or trademarked names such as US Bank's Checking Account Advance or Wells Fargo's Direct Deposit Advance, the loans operate in the same manner as payday loans hawked by stores. Customers borrow a few hundred dollars and then the bank repays itself from the borrower's next direct deposit, assessing a fee plus the entire loan amount.

Research by the Center for Responsible Lending (CRL) has found that the typical bank payday borrower:

- Is charged a fee of \$10 per \$100 borrowed, amounting to an annual percentage rate (APR) of 300 percent;
- Has a one in four chance of also being a Social Security recipient;
- Is twice more likely to incur overdraft fees than bank customers as a whole and
- Often remains in debt for six months of a year.

Consumer advocates and civil rights leaders have been shining a bright light on banks that chose to



RESPONSIBLE LENDING

Charlene Crowell

engage in this kind of lending over the past two years. Below are a few examples of that consumer activism.

In early 2012, 250 organizations and individuals sent a letter to federal banking regulators expressing concerns. A year later in 2013, more than 1,000 consumers and

sachusetts in May 2013 sent a joint letter to the Office of the Comptroller of the Currency (OCC).

“As Chairman and member of the Senate 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. “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

“Low-income people and people of color have long been targeted by slick advertising and aggressive marketing campaigns to trap consumers into outrageously high interest loans,” said Wade Henderson, LCCR president and CEO. “We’re simply advocating for reasonable regulatory oversight that ensures that low-income people won’t be swindled out of the little money they do have at their disposal.”

Reactions to the bank decisions resulted in cheers from consumer advocates. For example, Dory Rand, president of the Chicago-based Woodstock Institute, said, “We applaud these decisions to stop offering these dangerous products. For too long, these products – like storefront payday loan products – have wreaked havoc on borrowers’ finances and trapped them in a cycle of debt.”

In short, it was the constant call for consumer protections that ultimately led to banks foregoing payday loans. By combining efforts on a single issue, advocates accomplished together what none might have done alone.

I am hoping the rest of 2014 will be energized by the success of these early 2014 consumer victories. Perhaps federal regulators will soon put an end to all consumer debt traps. As we celebrate this key consumer victory, let us strive towards more financial reforms.

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organizations told the Consumer Financial Protection Bureau about elder financial abuse, including bank payday lending. CRL in coordination with CREDO, an organization that funds progressive nonprofits, delivered a petition with 150,000 signatures in an appeal to federal regulators.

By April 2013, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency proposed regulatory guidance on bank payday loan criteria. Weeks later amid still-growing consumer concerns, Florida’s U.S. Senator Bill Nelson and Sen. Elizabeth Warren of Mas-

income, and we would hope such a provision would be included in the final guidance.”

By November 2013, FDIC and OCC finalized regulations and advised banks that a borrower’s ability to repay a loan must be considered when issuing these loans.

In December 2013, the Leadership Conference on Civil and Human Rights (LCCR), representing more than 200 diverse national organizations, unanimously adopted a resolution urging states, Congress and federal agencies to increase regulatory oversight and enforcement of all payday lenders.

Reforming Outdated School Discipline

“A routine school disciplinary infraction should land a student in the principal’s office, not in a police precinct.”—Eric Holder, United States Attorney General

On January 8, U.S. Attorney General Eric Holder and Education Secretary, Arne Duncan came to Baltimore’s historic Frederick Douglass High School to announce a comprehensive set of guidelines to tackle the problem of “zero tolerance” disciplinary policies in our schools. As the National Urban League and others have been pointing out for years, students of color and students with disabilities receive disproportionately more and markedly harsher punishments for the same misbehaviors as other students. This obviously discriminatory treatment is not only denying an education to thousands of minority students, it is funneling too many of them into the criminal justice system and feeding the school-to-prison pipeline.

According to data collected by the Department of Education’s Office for Civil Rights, African American students without disabilities are more than three times as likely as their White peers without disabilities to be expelled or suspended. The New York Times, in its Sunday editorial, called the treatment of disabled students “a



TO BE EQUAL

Marc Morial

national disgrace.” The Times cites a finding by the Center for Civil Rights Remedies at the University of California that “in ten states, including California, Connecticut, Delaware and Illinois, more than a quarter of black stu-

League’s State of Black America, Children’s Defense Fund President Marian Wright Edelman wrote, “The growth in school expulsions and suspensions contributes to increasing numbers of children and teens entering the prison pipeline. Discouraged teens who are suspended or expelled are more likely than their peers to drop out of school altogether.”

To respond to this challenge, the Obama administration guidelines direct educators to take three deliberate actions. First, do more to create the positive school cli-

targeting grant money to train teachers and staff in ways to improve student behavior and school climate.

We applaud this action and believe the elimination of racially skewed zero tolerance policies must be an indispensable part of any future discussion of education reform. A growing number of school districts and schools, including Baltimore’s Frederick Douglass High, have already begun to reform their approach to discipline and are seeing positive results. Suspensions have dropped 46 percent at Frederick Douglass since 2007. More schools should follow their lead. As Attorney General Holder said, “Too often, so-called zero-tolerance policies – however well-intentioned...disrupt the learning process and can have significant and lasting negative effects on the long-term well-being of our young people – increasing their likelihood of future contact with juvenile and criminal justice systems.” We cannot afford to keep putting our kids at risk or wasting their potential and jeopardizing the future of our nation with this misguided policy.

Marc H. Morial, former mayor of New Orleans, is president and CEO of the National Urban League.

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dents with disabilities were suspended in the 2009-10 school year.”

The National Urban League has long stood with parents and others who have challenged so-called “zero-tolerance” policies that have unfairly targeted students of color and done more harm than good in many public schools. In fact, in a 2007 essay in the National Urban

mates that can help prevent and change inappropriate behaviors. Second, ensure that clear, concise and consistent expectations are in place to prevent and address misbehavior. And third, schools must understand their civil rights obligations and strive to ensure fairness and equity for all students. The administration is distributing a resource package to schools and