

# Good News

*Bringing the light of Christ to Missouri.*



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**“The weakest members of society should be helped to defend themselves against usury, just as poor people should be helped to derive real benefit from micro-credit, in order to discourage the exploitation that is possible in these two areas.”**  
(par. 65)

**Pope Benedict XVI**  
*Caritas In Veritate*, 2009

## In Search of Payday Lending Reform

**R**eforming payday lending laws is gaining attention as the Missouri General Assembly heads toward its May 13 adjournment. As this *Good News* goes to print, the Missouri House has given first-round approval to House Bill 656, a bill backed by the payday loan industry. Passage of the bill in the Senate will be difficult, however, unless the bill is amended to address concerns of consumer advocates.

Even the payday lending industry admits the current state law fails to protect borrowers. Under current law, payday loans are defined as short-term loans of under \$500. Typically, the loan is for a two-week period and is designed to help people meet an emergency. But the fees can add up quickly if borrowers keep renewing the same loan.

A typical fee is \$17 for every \$100 borrowed, but Missouri law does not cap the fee that can be charged and some lenders charge more than \$20 per \$100 borrowed. In contrast, the state of Florida caps the fees payday lenders may charge at \$10 per \$100 loaned.

The payday loan industry in Missouri opposes a fee cap and argues that such caps will drive them out of business. However, the payday loan industry is thriving in Florida with the \$10 cap.

No state bordering Missouri allows any re-

newals but Missouri allows a payday loan to be renewed six times. Repeatedly renewing a payday loan can begin a spiral of debt for the borrower. For example, renewing a \$300 loan six times with a fee charge of \$17 per \$100 loaned results in fees of \$225, or 75% of the original loan. See the table on the next page for how this occurs.

During debate on HB 656, State Rep. Ed Schieffer (D-Troy) recalled how one of his siblings had plunged deep into debt because of taking out and renewing payday loans. Rep. Schieffer said he appreciated the value of personal responsibility but argued that payday lenders should not be able to make a bad situation worse.

In present form, HB 656 does not cap the fees payday lenders can charge. The bill allows three renewals of payday loans, which means the borrower can still spiral into deep debt. The Missouri Catholic Conference supports meaningful payday lending reform — reform that will call for responsibility from both lenders and borrowers.

The present law, however, and even HB 656 in its current form, makes it economically profitable for lenders to keep renewing the same loan instead of getting it paid off promptly. Catholic moral teaching recognizes that people need access to small emergency loans but those loans should be just in their terms.

# How a Payday Loan Works

The borrower writes a postdated check to the lender that the lender can cash in two weeks. The loans are called payday loans because the check is normally postdated for when the borrower gets paid.

This postdated check must cover the amount of the loan plus any fees charged by the payday lender. A typical fee is \$17 per \$100 loaned. So, for example, to take out

a \$300 payday loan the borrower would write a postdated check for \$351 (\$300 for the loan amount and \$51 for the fees). If the borrower does not return at the end of the two weeks, the lender cashes the check and the loan is paid off.

If the borrower cannot pay off the payday loan, he can renew it at the end of the two-week period. The lender tears up the postdated check.

The borrower must pay (in cash or an immediately cashable check) 5 percent of the original loan principal (for example, \$15 for a \$300 payday loan) and the outstanding fees. The borrower then writes another postdated check to cover the remaining principal and the new fees.

A loan can be renewed six times. See the chart below for how the fees mount up in a \$300 payday loan.

## The Cycle of a Payday Loan Under Current Missouri Law

\$300 payday loan (fees of \$17 per \$100 loaned). The “principal paid down” column and the “fee paid” column show what the borrower pays each time he enters the payday lending shop to renew the loan.

Week:	Amount Borrowed:	Postdated check:	Principal paid down:	Principal owed:	Fee paid (at visit):	Fee charged:	Fee Total:
0	\$300	\$351	\$0	\$300	\$0	\$51	\$51
2 (First renewal)	0	\$333.45	\$15	\$285	\$51	\$48.45	\$99.45
4 (Second renewal)	0	\$315.90	\$15	\$270	\$48.45	\$45.90	\$145.35
6 (Third renewal)	0	\$298.35	\$15	\$255	\$45.90	\$43.35	\$188.70
8 (Fourth renewal)	0	\$280.80	\$15	\$240	\$43.45	\$36.30	\$225 (75% max*)
10 (Fifth renewal)	0	\$225	\$15	\$225	\$36.30	\$0	\$225
12 (Sixth renewal)	0	\$210	\$15	\$210	\$0	\$0	\$225

After the sixth renewal, the borrower has paid \$225 in fees for a \$300 loan.

\*Current law allows the fees to reach 75% of the original loan.

# A Bold Catholic Offer on Schooling Children in Failing Districts

Catholic schools stand ready to provide quality education to children languishing in failing public schools, but will the state of Missouri accept the offer.

Several bills pending in the Missouri General Assembly would offer scholarships so children attending public schools in unaccredited districts could enroll in another public school, a charter school or even a parochial school.

Sen. Jane Cunningham (R-Chesterfield) is sponsoring Senate Bill 369, while State Rep. Cole McNary (R-Chesterfield) is sponsoring House Bill 994. While the bills differ in some details, both expand parental choices in education. The bills are taking on added urgency due to a Missouri Supreme Court decision that says children in unaccredited districts are entitled to free transfer to accredited schools.

Currently, there are two public school districts that are not accredited by the state of Missouri, the City of St. Louis and the Riverview Gardens districts. Surrounding suburban districts are concerned about overcrowding if they accept transfer students but the Archdiocese of St. Louis says it would welcome some of these students.

The school office for the Archdiocese of St. Louis reports that it has open seats for 8,517 elementary students and 1,469 high school students in schools throughout the Archdiocese. In the City of St. Louis, there would be room immediately, without hiring additional staff, for 1,213 students (977 elementary and 236 secondary). In St. Louis County, the Archdiocese could immediately take in 5,328 students (4,429 elementary and 899 secondary).

Catholic schools have a proven track record of successfully educating minority students in urban settings, but too often policymakers turn a blind eye to this option when discussing the woes of urban public education. This year, at least, the general assembly is considering bills that would have the state of Missouri take advantage of the “social capital” represented by urban Catholic schools.



## Catholic Teaching

“As those first responsible for the education of their children, parents have the right to choose a school for them which corresponds to their own convictions. This right is fundamental. As far as possible parents have the duty of choosing schools that will best help them in their task as Christian educators. Public authorities have the duty of guaranteeing this parental right and of ensuring the concrete conditions for its exercise.”

*Catechism of the Catholic Church, par. 2229.*

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# Former Planned Parenthood Employee Calls for Pro-Life Efforts

A former Planned Parenthood clinic director was the featured speaker at Missouri Right to Life's annual Pro-Life Action Day at the Missouri Capitol on Tuesday, April 5.



Abby Johnson

Abby Johnson worked at Planned Parenthood for eight years, until one day in 2009, when she was asked to assist with an ultrasound-guided abortion. She said watching the unborn child lose the fight for its life changed her life.

Johnson said she used to be ashamed to say that she worked at Planned Parenthood, but now she is proud to say

she works to save the lives of unborn children. She also reminded people that abortion is about more than a choice. Johnson said when she saw the abortion she didn't see a woman execute a choice, she saw her execute her own child.

### Late-Term Abortion Bill Poised for Passage

The Missouri Catholic Conference is working to secure passage of legislation that would enhance restrictions to late-term abortions (HB 213 and SB 65).

Both bills would narrow the health exception for an abortion to situations where the woman's life is in danger or continuing the pregnancy would cause physical harm to a major bodily function. Passage by the general assembly appears probable, but the MCC will work for final passage and approval by the governor.