Statement of Del. Harvey Morgan of Virginia House of Delegates
on release of CRL's "Springing the Debt Trap"
December 13, 2007

Good afternoon. Thank you for your interest in payday lending, a practice disguised as a helpful solution to financial problems, but one that in actuality, intentionally and systematically, takes money from the pockets of hardworking citizens.

In 2002, I sponsored a bill that exempted payday lending from our 36 percent interest rate cap. Now that I have seen what the industry is about, I sincerely regret having worked to pass that law. Payday lenders have sprung up throughout Virginia, drawing in hardworking people who believe they will be able to pay off their loan in two weeks, and end up caught in debt they cannot curtail.

Payday loans do not help these folks; they make their money problems worse. I am now committed to ending the interest rate exemption for payday lenders in Virginia. We must go back to the 36 percent cap.

The average payday borrower in Virginia has more than eight transactions per year. This is not a one-time emergency solution to a cash flow problem.

In fact, as mentioned in the Center for Responsible Lending report released today, data from the Virginia Bureau of Financial Institutions shows that the percentage of payday borrowers in Virginia, who have over 13 loans per year, has steadily risen from 2003 to 2006. Now 22 per cent of payday borrowers have more than 13 transactions per year - more than one every month. Obviously, reforms to keep repeat borrowing under control are not working.

The payday industry would have you believe that these are separate and distinct loans; but when borrowers pay off a loan only to re-open it a short time later, they are never out of debt. When the same $300 loan is closed and re-opened 13 times per year, the borrower has paid $650 in interest for the same $300 loan and still owes the original $300 borrowed.

Citizen organizations in Virginia are united in support of a 36 percent interest rate cap that covers payday lending. These are business, labor, consumer and faith groups with diverse interests, from the NAACP to the Family Foundation. More than 30 localities – cities and counties – have passed resolutions seeking a state-enforced 36 percent cap.

These citizens and localities understand that payday loans are not a helpful source of credit but are a drain on the earnings of already cash-strapped families.

Thank you for your attention, and I'd be pleased to respond to your questions.

Harvey Morgan