



**Testimony in Support of Anti-Predatory Lending Act (in HB2685-SFA 3)**  
**Senate Executive Committee**  
**Kimberly Drew, Heartland Alliance**

As the Legislative Advocacy Director of Heartland Alliance, I write to testify in strong support of the Anti-Predatory Lending Act within HB 2685 – SFA 3. At Heartland Alliance, we lead a statewide coalition of advocates called the Illinois Asset Building Group, which is committed to advancing policies, and practices that will help address the racial wealth gap. Payday loans, auto-title loans, and other small consumer loans with exorbitant APRs (annual percentage rates), often upwards of 300%, drain income and savings from communities experiencing poverty and people of color.

Payday loans target people who need money, but not without colossal consequences for the borrower. These consequences begin immediately and typically last for months, if not years. Payday lenders make loans to customers without determining their ability to pay, obtain the ability to seize funds from the borrower's bank account, and more often than not leave the borrower needing to take out a subsequent loan to cover the cost of the interest on the first. This puts borrowers in a burdensome cycle of debt. People who take out a payday loan average about 10 loans per year nationally, often back-to-back. In Illinois, the average APR on a payday loan is 297%.

Auto-title lenders are another culprit, digging everyday people in already dire financial circumstances even deeper into debt. Title loans are small loans that are similar to payday loans, but require your car title as collateral. In Illinois, these loans come with interest rates as high as 360%, costing families thousands of dollars. One borrower we met took out two title loans for a total of \$2,500, and owed more than \$15,000 to repay the loans down the line. In 2019, about 50,000 Illinoisans took out at least one auto title loan. On top of high interest rates, when a borrower can't afford to repay these costly loans, they lose their car – a lifeline that allows people to work, take their children to school, and meet many other daily needs.

We must take note that these and other harmful small consumer loans disproportionately impact people of color. Payday lenders have always targeted communities of color, and this effect has been exacerbated during the desperate financial times during the pandemic. According to a recent poll, 11% of Black adults are likely to say they live within 1 mile of a payday lender, as compared to 5% of white adults. In Chicago alone, you are thirteen times

more likely to have taken out a payday loan if you live in the predominantly African American neighborhood of Austin as opposed to the predominantly white neighborhood of Lincoln Park. Just as our nation had a reckoning with racial justice over the course of the last year, it is time Illinois reckons with the wedge that high-cost, small dollar lending drives straight through the racial wealth gap, widening it further.

But it doesn't have to be this way – in fact there are many alternatives to these harmful, wealth stripping loans. Opponents may try to argue that taking high-cost loans away will leave people without options, but they are wrong. More affordable loan products do exist, ones that can help everyone recover from hard times and land on their feet instead of on their backs. Community Development Financial Institutions (CDFIs) like Capital Good Fund and Self-Help Credit Union already make loans at rates below 36%, right here in Illinois. This month, Bank of America is launching a low-cost product allowing customers to borrow up to \$500 for a \$5 flat fee regardless of the loan amount.

Since 1985, payday and auto-title lenders have been able to charge triple-digit APRs in Illinois, stripping billions of dollars from families in need, predominantly in communities of color. Meanwhile, 36% is the maximum interest rate that lenders are allowed to charge members of the military, and 17 states as well as D.C. have adopted a 36% interest rate cap for payday and title loans. 70% of registered voters across party lines nationwide support a 36% APR cap on these harmful, predatory loans. We respectfully urge Illinois leaders to take action to protect consumers and Illinoisans of color now.