WOODSTOCK INSTITUTE
Advancing Economic Security and Community Prosperity

Testimony of Courtney Eccles in Support of the Payday Loan Zoning Ordinance

Zoning, Landmarks and Building Standards Committee, City Council of Chicago January 14, 2013

Good Morning. My name is Courtney Eccles and I am the policy director at Woodstock Institute. Let me begin by thanking Chairman Solis, Alderman Brookins, and members of the Zoning, Landmarks and Building Standards Committee for the opportunity to speak today in support of the zoning ordinance for payday loan, title loan, and pawn shops.

Woodstock Institute is a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform. Woodstock Institute works locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity. We conduct research on financial products and practices, promote effective state and federal policies, convene a coalition of community investment stakeholders working to improve access to credit, and help people use our work to understand the issues and develop and implement solutions.

Woodstock Institute has worked locally and nationally to end the worst abuses of the payday lending industry, but payday loans still drain wealth from communities. While state-level reforms were implemented in 2010 to protect consumers from the most egregious predatory practices—like unlimited loan rollovers and balloon payments—consumers are still subject to triple-digit interest rates as high as 400 percent. With these short-term, high-interest rate loans, consumers risk entering into a cycle of debt, that even with the new protections, can be difficult to get out of and prohibit individuals from building adequate wealth and savings.

Our preliminary research using storefront addresses from the Illinois Department of Financial and Professional Regulations and data provided us to by the Mayor's office indicate that the majority of Chicago payday storefronts are located in areas with a substantial number of low-wage and moderate-wage workers and/or residential communities of color. These findings are consistent with studies that have been done statewide and across the country. While existing establishments will be grandfathered in to this ordinance, the ordinance ensures that no community will have an over-proliferation of one kind of lending product—particularly one that threatens economic security. Additionally, a growing number of banks and credit unions are beginning to offer short-term, low-cost small dollar loans that are better for consumers. These are the types of products we should be encouraging from traditional financial institutions across the city and specifically in under-banked communities.

We support the efforts of Chairman Solis, Alderman Mitts, and Mayor Emanuel to ensure that high-cost financial products do not over-concentrate in certain Chicago communities. Ensuring that lower-wage workers and communities of color have access to a variety of products—specifically those that will allow them to save, build positive credit, and accumulate wealth—is vital to the well-being of our city and state. This ordinance brings Chicago in line with cities across the country that have limited the number, location, and density of potentially predatory lending entities.

Once again, I appreciate the opportunity to address the committee this morning and I'm happy to answer any questions.