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March 31, 2006

Ms. Barb Smith
Department of Financial and Professional Regulations
320 W. Washington, 3rd Fl.
Springfield, IL 62767-0001

Dear Ms. Smith:

I am writing from Woodstock Institute to support the rules proposed by the Illinois Department of Financial and Professional Regulations (ILDFPR) to protect some of the state's most vulnerable citizens—payday loan borrowers. These rules, which were developed in cooperation with the Egan Campaign for Payday Loan Reform, will serve to better protect payday loan borrowers from egregious lending practices.

After a long and challenging history of attempts to enact reforms that were often blocked by the powerful payday loan industry in Illinois, the Payday Loan Reform Act (PLRA) went into effect in December 2006. The reforms, which were carefully crafted by the Egan Campaign, were established in response to consumer, industry, and regulatory trends in Illinois. PLRA provides key consumer protections for payday loans with terms of 120 days or less, including mechanisms to prevent over borrowing, a fee cap, a cooling off period between loans, and a repayment plan. At the time that PLRA was crafted, most payday loans in Illinois had terms of 31 days or less.

Consumer and community organizations as well as state officials with the Illinois Department of Financial and Professional Regulations (ILDFPR) were concerned that because PLRA applies to loans with terms of 120 or less, that the payday loan industry would begin circumventing the law by making loans with terms over 120 days. Therefore, ILDFPR, with the support of the Egan Campaign, developed directives that extended PLRA consumer protections to all payday loans, including those with terms over 120 days.

It turns out that the Egan Campaign and ILDFPR were correct to suspect that the payday loan industry would attempt to sabotage the law. Recent data documents that one-third of payday loans made to Illinois consumers in early February have terms over 120 days. And these lenders are not only subverting the law, they are charging higher prices than ever before for these "look alike" loans, often called "installment" or "checkbook" loans. In 2004, the cost of a $690 installment loan from one major lender was $374 for 9 months––or an APR of about 75 percent. Currently, the average borrower is now being charged APRs of over 387 percent. In contrast, under the PLRA consumers on average are being charged APRs of about 351 percent.

But that's not all. A group of leading Illinois payday lenders have challenged the ILDFPR directives extending consumer protections to all payday loan loans. Last month a group of leading Illinois payday lenders sued the state of Illinois because they want to be able to make loans that are entirely free of the provisions of the new act. As a result of the suit, the Circuit Court of Sangamon County issued a restraining order against the directives.

PLRA is a reasonable policy providing consumer protections to Illinois' most needy and vulnerable citizens. Resistance to these protections by the payday loan industry can be avoided by your support of rules proposed by ILDFPR and supported by the Egan Campaign. These rules will ensure that families that need emergency cash are not subject to unlawful and egregious practices and fees. In addition to protections for members of the military, the rules will prohibit the following actions:

- Threatening to use or using the criminal process to collect a payday loan
- Mandatory arbitration
- Charging interest on a consumer's wages
- Misleading consumer into waiving their rights

PLRA is a common sense protection that is desperately needed to keep payday lenders from taking advantage of hardworking families in order to boost their revenues. I support the extension of PLRA consumer protections to all payday loans made in Illinois by supporting the proposed rule and end abusive and predatory lending practices.

Sincerely,

Marva Williams
Senior Vice President

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