Predatory Loan Prevention Act (in SB 1792 – HFA 3, 4)

The Predatory Loan Prevention Act would prohibit lenders from charging more than 36% APR (annual percentage rate) on consumer loans. In Illinois, the average APR on a payday loan is 297%, and the average APR on a title loan is 179%. Federal law already protects active-duty military with a 36% APR cap. This bill would extend the same protection to Illinois veterans and all other consumers. Seventeen states plus the District of Columbia have caps of 36% or lower.

Too many Illinoisans suffer from high-cost, predatory loans. Illinois families pay over $500,000,000 per year in payday and title loan fees – the fourth highest in the nation. Nearly half of Illinois payday loan borrowers earn less than $30,000 per year.

High-cost, small dollar loans exacerbate the racial wealth gap and drive inequity. In Chicago, zip codes in communities of color represent 47% of the City’s population but have 72% of the City’s payday loans. You are 13 times more likely to have a payday loan if you live in the Austin neighborhood as compared to Lincoln Park.¹

Predatory lending is a bipartisan issue. Large majorities of Republicans, Democrats, and Independents support a 36% cap. South Dakota approved a 36% cap in 2016 with over 75% voting in favor of the cap. Nebraska approved a 36% cap on payday loans in 2020 with over 80% voting in favor of the cap. The experience in other states shows that, after establishing a 36% cap, consumers turn to other strategies (e.g., cutting expenses) and other products. For example, since South Dakota’s cap, the volume of consumer loans by credit unions increased significantly.²

The Real Cost of Small Consumer Loans

These are real auto title loans taken out by Mark, a lifelong Chicagoman who retired after 42 years working for the Postal Service.³

<table>
<thead>
<tr>
<th>First Title Loan</th>
<th>Second Title Loan</th>
<th>Total Borrowed:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount: $1,095</td>
<td>Loan Amount: $1,500</td>
<td>$2,595</td>
</tr>
<tr>
<td>APR: 304.17%</td>
<td>APR: 304.17%</td>
<td></td>
</tr>
<tr>
<td>Fees: $5,595.96</td>
<td>Fees: $7,665.60</td>
<td></td>
</tr>
<tr>
<td>Loan term: 24 months</td>
<td>Loan Term: 24 months</td>
<td>Total Owed: $15,856.</td>
</tr>
<tr>
<td>Total Owed: $6,690.96</td>
<td>Total Owed: $9,165.60</td>
<td></td>
</tr>
</tbody>
</table>

¹ Data from IL Payday Loan Database (2019).

For questions: Brent Adams; 773-844-5544 badams@woodstockinst.org
Support for the Predatory Loan Prevention Act:

**Industry**
- Affirm
- Avant
- Best Egg
- Capital Good Fund
- Great Lakes Credit Union
- Lending Club
- Marketplace Lending Association
- Marlette Funding
- Prosper
- Seaway, a division of Self-Help FCU
- Second Federal, a division of Self-Help FCU
- SoFi
- Upstart

**Government**
- City of Chicago Mayor Lori E. Lightfoot
- Congressman Jesús G. “Chuy” Garcia
- Cook County Board President Toni Preckwinkle
- Cook County State’s Attorney Kim Foxx
- Attorney General Kwame Raoul
- Secretary of State Jesse White
- State Treasurer Michael Frerichs
- Ald. Raymond A. Lopez, 15th Ward
- Ald. Pat Dowell, 3rd Ward
- Ald. Andre Vasquez, 40th Ward

**National Advocates**
- Americans for Financial Reform
- Black Veterans Project
- Center for Responsible Lending
- Consumer Federation of America
- High Ground Veterans Advocacy
- Minority Veterans of America
- National Community Reinvestment Coalition
- National Consumer Law Center
- National Housing Law Project
- Prosperity Now
- Veterans for Common Sense

**Illinois Clergy**
- Rev. Robert Freeman, Urbana
- Rev. Kelly J. Youngblood, Bourbonnais
- Rev. Robert Bushey, Kankakee
- Rev. Dr. Eugene Barnes, Champaign
- Rev. Janet Eggleston, Galena
- Rev. Violet Johnicker, Brooke Road United Methodist Church, Rockford
- Rabbi Rebecca L. Dubowe, Bloomington
- Cliff Parks, Heaven’s View Christian Fellowship, Peoria
- Pastor Kent King-Nobles, Normal
- Rev. Frank Langhoff, Emmanuel Lutheran Church, Rockford
- Msgr. Doug Hennessy, Bloomington
- Rev. Alphonso Lyons, Jr., Mt. Zion Baptist Church, Peoria
- Presiding Elder, Rev. Tyson J. Parks, Danville
- Sister Joan Schullian OSF, Decatur

**Illinois Advocates**
- AARP Illinois
- Asian Americans Advancing Justice
- Breakthrough
- Brighton Park Neighborhood Council
- Catholic Conference of Illinois
- Center on Tax and Budget Accountability
- Chicago Area Fair Housing Alliance
- Chicago Coalition for the Homeless
- Chicago Community Loan Fund
- Chicago Food Policy Action Council
- Chicago Jobs Council
- Chicago Urban League
- Chinese American Service League
- Citizen Action / Illinois
- COFI
- Col. Paul Kantwill, USA (Ret); Prof., Loyola Univ. School of Law
- Collaborative for Health Equity Cook County
- Community Renewal Society
- Credit Builders Alliance
- Economic Security for Illinois
- Elevate Energy
- EverThrive Illinois
- Equity and Transformation
- Faith Coalition for the Common Good
- Gamaliel of Illinois
- Heartland Alliance
- High Ground Institute
- Housing Action Illinois
- Housing Choice Partners
- HomeStart
- Illinois Action for Children
- Illinois Asset Building Group
- Illinois Partners for Human Service
- Illinois People’s Action
- Illinois Public Interest Research Group (IL PIRG)
- Illinois Chapter of the National Association of Consumer Advocates
- Illinois Conference of Churches
- Jane Addams Resource Corporation
- Jewish Council on Urban Affairs
- Junior Achievement of Chicago
- Latinx Voice
- Lawyers Committee for Better Housing
- LIFT, Inc.
- LISC Chicago
- Logan Square Neighborhood Association
- Metropolitan Family Services
- Metropolitan Planning Council
- Mujeres Latinas En Acción
- NAACP Peoria Chapter
- New America Chicago
- North Lawndale Employment Network
- Northwest Side Housing Center
- OAI
Illinois Advocates Continued
Preservation of Affordable Housing Communities
Revolution Workshop
SEIU Healthcare IL IN
Shriver Center on Poverty Law
Southwest Organizing Project
The Low Income Utility Advocacy Project
The Resurrection Project
United Congregations of Metro East
United Way of Illinois
Voices for Illinois Children
Women Employed
Woodstock Institute
Working Credit NFP
Youth Job Center
YWCA Metropolitan Chicago