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Financial Inclusion
for All Illinois

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ACTION

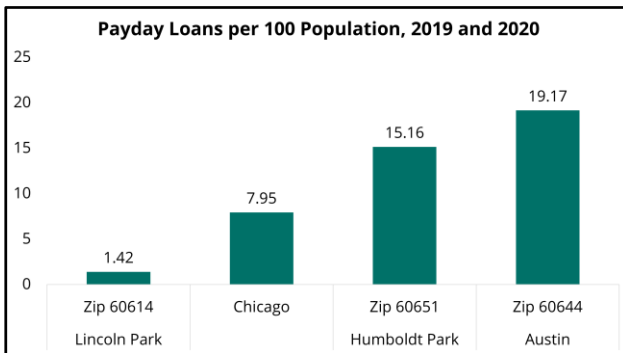
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ILLINOIS HISPANIC CHAMBER OF COMMERCE

Predatory Loan Prevention Act (815 ILCS 123) – 36% Rate Cap

Governor J.B. Pritzker signed the Predatory Loan Prevention Act (PLPA) into law on March 23, 2021. The PLPA was part of the Illinois Legislative Black Caucus’s Economic Equity agenda. The PLPA, which took effect immediately, prohibits lenders from charging more than 36% APR (annual percentage rate) on consumer loans. In Illinois, the average APR on a payday loan was 297%, and the average APR on a title loan was 179%. The PLPA now aligns Illinois law with federal law, which protects active-duty military with a 36% APR cap. **Illinois joins seventeen states plus the District of Columbia that have caps of 36% or lower.**

Too many Illinoisans suffered from high-cost, predatory loans. Illinois families paid 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 earned less than \$30,000 per year.



High-cost, small dollar loans exacerbated the racial wealth gap and drove inequity. In Chicago, zip codes in communities of color represent 47% of the City’s population but had 72% of the City’s payday loans. You were 13 times more likely to have a payday loan if you lived in the predominantly Black, lower income Austin neighborhood as compared to the predominantly White, higher income Lincoln Park neighborhood.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 turns 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 Chicagoan who retired after 42 years working for the Postal Service.³

First Title Loan

Loan Amount: \$1,095
APR: 304.17%
Fees: \$5,595.96
Loan term: 24 months
Total Owed: \$6,690.96

Second Title Loan

Loan Amount: \$1,500
APR: 304.17%
Fees: \$7,665.60
Loan Term: 24 months
Total Owed: \$9,165.60

Total Borrowed:
\$2,595

Total Owed: \$15,856

¹ Data from IL Payday Loan Database (2019).

² Center for Responsible Lending, The Sky Doesn't Fall: Life After Payday Lending in South Dakota (January 2020).

https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-the-sky-doesnt-fall-jan2020_1.pdf

³ No Right Turn: Illinois’ Auto Title Loan Industry and its Impact on Consumers. Woodstock Institute and the Illinois Asset Building Group. Oct. 2015.

For questions: Brent Adams; 773-844-5544 badams@woodstockinst.org

Support for the Predatory Loan Prevention

Industry

Affirm
American Fintech Council
Avant
Best Egg
Capital Good Fund
Great Lakes Credit Union
Lending Club
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
Illinois Comptroller Susana Mendoza
Evanston Mayor-Elect Daniel Biss
Ald. Raymond A. Lopez, 15th Ward, Chicago
Ald. Pat Dowell, 3rd Ward, Chicago
Ald. Andre Vasquez, 40th Ward, Chicago
Ald. James Cappleman, 46th Ward, Chicago
Ald. Maria Hadden, 49th Ward, Chicago
Ald. Felix Cardona Jr., 31st Ward, Chicago
Mayor Tari Renner, City of Bloomington
Ald. Jennifer Jazmin Carrillo Gomez, 6th Ward, Bloomington
Ald. Jeff Craybill, 8th Ward, Bloomington
Dr. Peter Schwartzman, Ald. 5th Ward, Galesburg

National Advocates

Americans for Financial Reform
Black Veterans Project
Center for Responsible Lending
Consumer Federation of America
Insight Center for Community Economic Development
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

Illinois Clergy (cont.)

Rev. Robert Bushey, Kankakee
Rev. Dr. Eugene Barnes, Champaign
Rev. Janet Eggleston, Galena
Rev. Violet Johnicker, Brooke Road United Methodist Church, Rockford
Rev. Tony Pierce, Pastor, Heaven's View Christian Church, Peoria
Rabbi Rebecca L. Dubowe, Bloomington
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 Langholz, 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
Age Options
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
Englewood Community Connection Outreach Corp
EverThrive Illinois
Equity and Transformation
Faith Coalition for the Common Good
Family Independence Initiative Chicago
Financial Inclusion for All Illinois (FIAI)
Gamaliel of Illinois
Garfield Park Community Council
Grassroots Collaborative
Heartland Alliance
High Ground Institute

Illinois Advocates (cont.)

Housing Action Illinois
Illinois Association of Area Agencies on Aging (I4A)
Housing Choice Partners
HomeStart
Illinois Action for Children
Illinois Chapter of the National Association of Consumer Advocates
Illinois Conference of Churches Illinois Partners for Human Service
Illinois Hispanic Chamber of Commerce
Illinois People's Action
Illinois Public Interest Research Group (IL PIRG)
Illinois State Black Chamber of Commerce
Jane Addams Resource Corporation
Jewish Council on Urban Affairs
Junior Achievement of Chicago
Lakeside Community Committee
Latinx Voice
Lawyers Committee for Better Housing
Legal Action Chicago
LIFT, Inc.
LISC Chicago
Live Free Illinois
Logan Square Neighborhood Association
Metropolitan Family Services
Metropolitan Planning Council
Mujeres Latinas En Acción
NAACP Illinois State Conference
NAACP Peoria Chapter
New America Chicago
North Lawndale Employment Network
Northwest Side Housing Center
OAI
Phalanx Family Services
POWER-PAC IL
Preservation of Affordable Housing Communities
Real Men Charities, Inc.
Real Men Cook
Revolution Workshop
Rockford Area Habitat for Humanity
SEIU Healthcare IL IN
Shriver Center on Poverty Law
Southwest Organizing Project
The Low Income Utility Advocacy Project
The People's Lobby
The Resurrection Project
Unitarian Universalist Advocacy Network of Illinois (UUANI)
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