

Proposal for an Emergency Study

PROPOSAL

The Board of the League of Women Voters of Greater Tuscaloosa proposes an emergency study of current practices of payday loan stores throughout Alabama, to begin during the 2016-2017 year. Upon completing a study of the issue, the local leagues will be asked to consider consensus questions. Subsequently, the League of Women Voters of Alabama will develop a position statement, as indicated by the local league responses.

SCOPE OF PROPOSED STUDY

- A. This study would involve only payday businesses operating in physical structures or “payday loan stores.”
- B. This study would exclude loans obtained through electronic media.
- C. This study would exclude car title loans.

JUSTIFICATION FOR PROPOSED STUDY

- A. The League of Women Voters of Alabama needs an objective investigation of payday loan stores, whose practices has attracted increased public and legislative interest in recent years.
 - 1. Bills to regulate payday loan interest rates have been introduced in the Alabama Legislature over the last several years.
 - 2. A state data base of payday store borrowers was instituted in August 2015.

3. Alabama Arise, Appleseed, and Alliance for Responsible Lending in Alabama (ARLA) have prioritized this issue.
4. The number of payday stores and the total amount of money loaned are increasing. Based on figures from the state data base, Superintendent of Banking John Harrison reported that \$14.9 million per week from nearly 900 payday stores
5. There is controversy regarding the current practices of payday loan stores
 - a. Payday lenders maintain that the large number of stores reflects demand for a service that cannot be obtained elsewhere.
 - b. Advocates for regulation and a cap for interest on payday loans cite increasing numbers of borrowers caught in long-standing debt due to high interest and rollover rates.
- B. Because several groups and individuals are concerned about the impact of interest rates that can exceed 400%, because those groups contend that low-income Alabamians who borrow at these rates set without state regulation, and because the LWVAL does not have a position on this topic, a study of practices of payday loan stores should be adopted at the 2016 LWVAL Council for study beginning late summer 2016.