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Payday lending prospers in conservative Christian areas

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Posted: 7:25 PM- The Bible contains numerous passages condemning usury, an abusive lending practice older than money itself.

Yet, the "payday" lending industry, which charges interest rates often double those of organized crime loan-sharking syndicates, is more prevalent in Utah and other states where conservative Christians hold political sway, according to a study co-authored by a University of Utah law professor.

"A generation ago, populist Christian leaders were among the most aggressive opponents of usurious lending. But today, many Christian leaders take large campaign contributions from the credit industry and no longer support the biblical injunction against usury in public life," says Chris Peterson, whose research will be published in *Catholic University Law Review*.

The industry has boomed since anti-usury laws were relaxed around the nation in the early 1980s. Today there are more than 24,000 payday outlets, a fivefold increase since 1995.

In a typical payday lending transaction today, borrowers write a check for \$60 above the amount of a \$300 loan, postdating it two weeks out. If borrowers fail to get money into their accounts to cover the checks, they can be hit with fees and interest that drive up the cost of the loan to as much as \$800, industry critics say. Expressed as an annual rate, interest is typically 450 percent, which industry representatives justify because these loans are risky.

"In Utah, it's more like 525 percent," said Peterson, who testified last week at the Legislature in favor of strong reporting requirements on payday operators. "Across Utah there are payday lending outlets that lend at rates that are well over twice the rates the mob charged in its heyday of political power."

Prior research has documented a prevalence of outlets in poor communities and around military bases, but the scholars were surprised to discover that evangelical majorities are a more reliable predictor of where payday lending is located.

"The natural hypothesis was there would be aggressive regulation and less demand for payday loans in Christian states," Peterson said. "We found the opposite was true. We didn't set out to find that. We set out to find where payday lending was happening."

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For his study, Peterson, a longtime critic of payday lending who describes himself as not affiliated with any religion, teamed with California State University Northridge geographer Steven Graves to map nearly every payday lending outlet in the nation and analyze the data on the basis of geographical categories, such as states, counties, ZIP codes, congressional districts and state legislative districts. Utah, with 447 stores, ranked 10th among states with the greatest concentrations of payday lending outlets and some of the nation's heaviest activity occurs in two Utah House districts: Rep. Curtis Oda's District 14, which covers Hill Air Force Base, and Rep. Mark Wheatley's District 35, around South Salt Lake and Murray.

The scholars then attempted to quantify the political power of evangelical Christians and Mormons in these areas and correlate the resulting "Christian power index" with the density of payday lending outlets relative to population and to traditional banking activity.

Topping the list for payday activity were Mississippi, South Carolina and Alabama. It's important to note that two neighboring Bible Belt states, North Carolina and Georgia, are among the nation's 11 states to ban this kind of lending.

"Despite these two recent exceptions, the evidence permits no doubt that living in a

state with a great deal of conservative Christian legislative power actually puts moderate and lower income consumers at greater risk from usurious payday loans," the scholars write.

"These findings propound a tragic and sad irony. Those states that have most ardently held to their pious Christian traditions have tended to become more infested with the progeny of money changers once expelled by Christ from the Hebrew temple."

The LDS Church declined to comment on the research findings. Scott Trotter cited a policy against commenting on commercial ventures.

The first written rules on lending appear in Hammurabi's Code, chiselled in stone by Babylonian lawmakers nearly 4,000 years ago.

"Many ancient civilizations had upper limits on loan prices," Peterson said. "This was before humans learned to coin money, but we already learned we needed to cap interest rates. Utah had limits on credit prices and most recently capped consumer lending interest rates at 36 percent. We have forgotten the lessons of history and embraced a radical and dangerous legal experiment."

Cort Walk, spokesman for the Utah Consumer Lending Association, did not return a phone call seeking comment.