USURY LAW AND THE CHRISTIAN RIGHT: FAITH BASED POLITICAL POWER AND THE GEOGRAPHY OF AMERICAN PAYDAY LOAN REGULATION

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INTRODUCTION

The "culture war" has become a national moniker describing a variety of policy debates between social conservatives and secular liberal Americans. Hotly contested battle grounds in this metaphorical war have included abortion policy, affirmative action, the right to bear arms, and gay marriage. Frequently these debates have divided secular Americans from people of faith. Indeed, some commentators argue the size of the religious population, including especially members of the so called "Christian right," is the most vital difference between "red" and "blue" states.

Despite the colorful and polarizing salience of this depiction of the country, profound facts strain the accuracy of the stereotypes it suggests. For example, many secular people vigorously ascribe to the conservative social agenda of right leaning advocacy organizations such as the Christian Coalition, the Family Research Council, and the Christian Action Network. Moreover, many deeply sincere people of faith wholeheartedly embrace the separation of church and state, abortion rights, gun control, and other stereotypically secular positions. This article queries whether the public policy issues surrounding abusive high cost consumer lending may offer one more example that confounds the assumptions behind the "culture war" label.

In the past fifteen to twenty years, America has witnessed a stunning transformation in the consumer financial services offered to lower and lower-middle classes. A new breed of "fringe" creditors charging prices far in excess of the old mafia loan sharking syndicates have spread throughout the country.[1] The archetype of fringe creditors commonly referred to as "payday" lenders, charges average simple nominal annual interest rates of around 450 percent.[2] These lenders have met a chorus of criticism from the media, consumer advocates, military leaders, and scholars. Critics argue that although payday loans have short initial terms, they quickly become debt traps when unsuspecting or desperate borrowers are unable to retire their rapidly swelling obligations. Pointing to a seemingly endless supply of consumer horror stories, payday lending critics label the loans "predatory" and have demanded the traditional American rules that once banned this industry be re-imposed. Apologists for the industry counter that payday lenders are merely responding to legitimate demand for financial services.

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[1] The average simple nominal annual interest rate of mafia loans during the mob's heyday was about 250%. CHRISTOPHER L. PETERSON, TAMING THE SHARKS: TOWARDS CURE FOR THE HIGH COST CREDIT MARKET 11 (2004); SELWYN RAAB, FIVE FAMILIES: THE RISE, DECLINE AND RESURGENCE OF AMERICA'S MOST POWERFUL MAFIA EMPIRES 103 (2005); Comment, *Syndicate Loan-Shark Activities and New York's Usury Statute*, 66 COLUM. L. REV. 167, 167 (1966).

[2] JEAN ANN FOX & EDMUND MIERZWINSKI, CONSUMER FEDERATION OF AMERICA AND THE UNITED STATES PUBLIC INTEREST RESEARCH GROUP, SHOW ME THE MONEY 8 (2000); URIAH KING, LESLIE PARRISH, & OZLEM TANIK, CENTER FOR RESPONSIBLE LENDING, FINANCIAL QUICKSAND: PAYDAY LENDING SINKS BORROWERS IN DEBT WITH $4.2BILLION IN PREDATORY FEES EVERY YEAR 2 (2006); INDIANA DEPARTMENT OF FINANCIAL INSTITUTIONS, SUMMARY OF PAYDAY LENDER EXAMINATION (July-Sept. 1999), *available at* http://www.dfi.state.in.us/conscredit/PayDay%20Lender%20Summary.html.

And, because consumers are not forced into their contracts, they can either shop for a lower priced deal or elect not to borrow. At their core, these arguments find their genesis in Jeremy Bentham's famous "Defense of Usury" from 1787.[3]

While in recent years many sources have reconsidered Bentham's economic arguments, far less discussed today are the moral and religious arguments that Bentham wrote his essay as a counterpoint to. Indeed, today's debate over payday loans is merely a reverberant echo of the Biblical usury debates that for at least a thousand years were arguably *the* marquee intellectual struggle in Western commercial history. This article stands as a vestibule to that ancient edifice, inviting today's scholars, advocates, financiers, regulators, political leaders, and clergy to reacquaint themselves with the moral heritage of our crumbling usury law.

Moreover, this article attempts to ascertain whether the Christian legacy of skepticism regarding high interest rate loans has translated into consumer protective regulation of today's payday lending industry. Employing the tools of the interdisciplinary law and geography movement, we explore the relationship between payday loan outlet locations and the political power of conservative Christians in all fifty states. Our study systematically surveys over 20,000 payday lender locations, cast against a backdrop of Christian political power, local and regional electoral districts, and a variety of demographic considerations. We conclude with a high degree of statistical certainty that states with powerful conservative Christian populations tend to host relatively greater numbers of payday loan locations per capita as well as a greater commercial density of payday lenders. 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. Legislators in those states who have effectively used Biblical principles to shape their legislative agenda on social and cultural issues have failed to consistently apply Biblical principles to economic legislation.

Part II of our Article describes the payday lending industry including its origins and its products. Moreover, this part also introduces the biblical injunction against usury and discusses the way in which the bible has been interpreted, and how the Bible gives rise to profound questions regarding the current political response to payday lending. Part III introduces leading law and geography theory and summarizes our empirical methodology. Part IV juxtaposes our empirical description of payday lender locations and conservative Christian political power with an analysis of state usury law. This part highlights states that stand out as interesting examples of the current legal and geographic landscape. Part V analyzes the results of this study, ultimately drawing descriptive and prescriptive conclusions for policy makers, including state and federal law makers, as well as spiritual leaders and people of faith themselves. An appendix presenting further state-specific results and methodological considerations follows.

I. BACKGROUND

[3] JEREMY BENTHAM, DEFENCE OF USURY: SHEWING THE IMPOLICY OF THE PRESENT LEGAL RESTRAINTS ON PECUNIARY BARGAINS IN A SERIES OF LETTERS TO A FRIEND. TO WHICH IS ADDED A LETTER TO ADAM SMITH, ESQ.; LL.D. ON THE DISCOURAGEMENTS OPPOSED BY THE ABOVE RESTRAINTS TO THE PROGRESS OF INVENTIVE INDUSTRY (1787).

A. Payday Lending Business Practices

Payday loans—which are also currently known as post-dated check loans, deferred deposit loans, or cash advances—are high-interest-rate loans with short initial durations.[4] In most payday loans, the consumer borrows money by writing a personal check to the lender for the loan amount plus an additional fee. Usually, payday lenders ask their borrowers to write checks with dates one or two weeks in the future.[5] The date on the check represents the due date of the loan. Unlike credit card companies, payday lenders generally do not check loan applicants' credit histories. Nor do payday lenders generally report the borrower's repayment history to credit bureaus later on.[6] Instead, payday lenders engage in minimal underwriting, usually only verifying an applicants identity and employment. In a matter of minutes, a payday loan borrower can walk away with between $100 and $1000 in cash.[7] The best available estimates suggest that in the current prototypical transaction the borrower obtains a $325.00 loan with an initial two week duration in exchange for a finance charge of $52.00.[8] When the borrower's two weeks are up, the lender is repaid by depositing the borrower's check. If the check clears, the transaction is complete. The interest rate on this typical payday loan is about 417%.[9]

Unfortunately, payday loan borrowers frequently are unable to pay off their loans after the initial loan term. Many payday loan customers borrow to address difficult financial situations such as medical problems, job loss, and car troubles. Frequently the very situation forcing the debtor to borrow may prevent the debtor from repaying quickly. Virtually every study or investigation that has explored the issue has found that payday loan borrowers consistently fall into reoccurring debt patterns, where unpaid loans compound for longer periods of time.[10] Even in states

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[4] Payday loans go by many other names, including deferred deposit transactions, deferred presentment check cashing, post-dated check loans, and check loans. Jean Ann Fox, *What Does It Take to Be a Loanshark in 1998? A Report on the Payday Loan Industry*, 772 PRAC. L. INST./COM. 987, 989 (1998).

[5] CHRISTOPHER PETERSON, TAMING THE SHARKS: TOWARDS A CURE FOR THE HIGH COST CREDIT MARKET 10 (2004); SHEILA BAIR, ANNIE E. CASEY FOUNDATION, LOW-COIST PAYDAY LOANS: OBSTACLES AND OPPORTUNITIES 6-7 (2005).

[6] Richard R. W. Brooks, *Credit Past Due*, 106 COLUM. L. REV. 994 (2006).

[7] King, et al., *supra* note 2, at 8, 19.

[8] Many lenders, including especially internet payday lenders, now obtain consent to debit the borrower's back account with an ACH transfer, rather than using a check. Ronald J. Mann & Jim Hawkins, *Just Until Payday,* 54 UCLA L. REV. 855, 862 (2007); Michael S. Barr, *Banking the Poor*, 21 YALE J. ON REG. 121, 149 (2004).

[9] Office of the Comptroller of the Currency, APRWIN v. 6.0.0.

[10] Gregory Elliehausen and Edward C. Lawrence, Georgetown University McDonough School of Business Credit Research Center, *Payday Advance Credit in America: An Analysis of Demand* (2001) 39 (about 40 percent of borrowers rolled over more than five times in preceding year, about 20 percent of borrowers who renewed existing loans nine times or more, 10 percent renewed 14 times or more); Report of the Uniform Consumer Credit Code Rev. Comm. And Action of the Colorado Commission on Consumer Credit 16 (Nov. 4, 1999) (reporting instances of as many as thirteen or more refinances); Chessin, *Borrowing from Peter to Pay Paul: A Statistical Analysis of Colorado's Deferred Deposit*

that have attempted to legally limit the duration of payday loans borrowers, fall into longer term relationships with payday lenders.[11] Investigations by federal banking regulators and statements of former payday lending employees confirm that payday lenders create compensation incentives encouraging employees to manipulate borrowers into long term borrowing.[12] Indeed, the best available nationwide estimate suggests that the average payday loan borrower repays $793.00 for a $325.00 loan.[13]

Payday loans of this sort have made the industry extremely profitable. From the creditor's perspective, payday loan debts frequently perform like a monthly annuity purchased with a relatively small initial investment. According to an FDIC study nearly half of every outstanding payday loan at a given point of time was actually a "roll over" of an older obligation.[14] In addition, payday loan collections

Loan Act, 83 DENVER U. L. REV. 387 (2005) (approximately 65% of Colorado payday loan volume is based on borrowers with more than twelve payday loan terms per year); Ill. Dept. of Fin. Inst., Short Term Lending: Final Report 30 (1999) (average payday loan customer borrows thirteen times per year and remains indebted for at least six months); Indiana Department of Financial Institutions, *Summary of Payday Lender Examination,* 1–2 (77% of payday loans are extensions of previously existing contracts); Survey Iowa Division of Banking (2000) (finding an average of 12.5 loans per customer per year); North Carolina Office of the Commissioner of Banks, Report to the General Assembly on Payday Lending, (87% of borrowers roll over payday loans more than once with each individual lender); Washington State Department of Financial Institution, Payday Lending Report 3 (2003) (over thirty percent of borrowers borrow more than ten times per year, almost ten percent borrow twenty times or more per year); Jean Ann Fox and Ed Mierzwinski, Consumer Federation of America & U.S. Public Interest Research Group, *Show Me the Money: A Survey of Payday Lenders and Review of Payday Lender Lobbying in State Legislatures* 8 (2000); Oregon State Public Interest Research Group, Preying on Portlanders: Payday Lending in the City of Portland (2005) (three out of four payday loan borrowers are unable to pay their loan when it comes due); Creola Johnson, *Payday Loans: Shrewd Business or Predatory Lending?*, 87 MINN. L. REV. 1, 55-76 (2002); Michael A. Stegman & Robert Faris, *Payday Lending a Business Model that Encourages Chronic Borrowing*, 17 ECON. DEV. Q. 8 (2003).

[11] Veritec Solutions, Florida Trends in Deferred Presentment: State of Florida Deferred Presentment Program, http://www.veritecs.com/FL_trends_sep_2005.pdf (2005) (average Florida customer borrows 7.9 times per year, 25% of borrowers borrow 12 or more times per year); Veritec Solutions, Oklahoma Trends in Deferred Deposit Lending: Oklahoma Deferred Deposit Program, http://www.veritcs.com/OK_trends_11_2005.pdf (2005) (average Oklahoma borrower borrows 9.4 times per year and 26.8 percent of borrowers borrowing 12 times or more per year, accounting for about 62 percent of all transactions).

[12] United States Office of the Comptroller of the Currency, Fact Sheet: Eagle National Bank Consent Order, January 3, 2002, at 2 (discovering payday loan employee compensation incentives for promoting repeat borrowing); Mark Flannery & Katherine Samolyk, Payday Lending: Do the Costs Justify the Price?, FDIC Center for Financial Research Working Paper No. 2005-09, 16-17 (2005) (high frequency borrowers are more profitable because they generate lower loss ratios and lower operating costs); Video recording: Payday Loans Trap Borrowers, Center for Responsible Lending, http://www.responsiblelending.org/issues/payday/inside-the-payday-industry.html (2007) (interview with Rebecca Fillipo former payday loan store manager).

[13] King, et al., *supra* note 2, at 8.

[14] Mark Flannery & Katherine Samolyk, *Payday Lending: Do the Costs Justify the Price?*, FDIC Center for Financial Research Working Paper No. 2005-09, 12-13 (2005).

offer many different fee generation opportunities. Payday lenders generally supplement revenue from their triple digit interest rates with hefty late payment fees, insufficient funds fees (for bounced checks), and attorney fees. Consumers that merely pay interest and fees on their loans while making little headway on their loan principals generate the vast majority of the payday lending industry's profit. By one estimate, approximately 90% of payday lending industry revenue is based on fees stripped from trapped borrowers.[15] Because payday debt grows so quickly, lenders can still make handsome profits even if they are forced to write off significant amounts owed (though not necessarily advanced) under the terms imposed in their contracts.[16]

Critics of the payday lending industry point to repetitive borrowing patterns in asserting the loans are actually debt traps which become inescapable for families with limited resources. Critics of the payday lending industry frequently point to the stories of individual borrowers who have suffered from payday lending obligations.[17] Opponents of payday lending often argue that the payday loan market is inefficient because of information imperfections, cognitive distortions, and externalities.[18] Some have compared the payday lending market to the market for illegal narcotics: both products can destroy families and are in some sense addictive.[19] Other criticisms include the argument that payday loans—irrespective of individual consumer wishes--create poverty by extracting too much from low and moderate income families.[20] Payday lenders are generally recognized as among the most aggressive debt collectors in American society, sometimes using public humiliation, threats, and constant harassment to collect.[21] Some critics assert that payday lending also harms other businesses by capturing disposable income that would otherwise be paid to landlords, utility companies, professional service providers, and others.[22] Sill other critics complain that payday lender storefront locations lower property values by generating poverty, commercial ill will, and

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15 Uriah King, et al., *supra* note 2, at 2.

16 Flannery & Samolyk, *supra* note 14, at 10; Michael Hudson, *Going for Broke: How the 'Fringe Banking'Boom Cashes in on the Poor*, WASHINGTON POST, January 10, 1993, at C01; Fox & Mierzwinski, Show Me the Money, *supra* note 2, at 8.

17 *See, e.g.,* Diana B. Henriques, *Seeking Quick Loans, Soldiers Race Into High-Interest Traps*, N.Y. TIMES, December 7, 2004, A1 (Navy petty officer borrows $500 at 390% which then spirals into chain of loans with $4000 outstanding at interest rates as high as 650 percent); Cheryl L. Reed, *The 'Wild, Wild West' in Loans: Lax Laws Let Lenders Charge as Much as They Want While Borrowers Face Triple-Digit Interest, Bankruptcy*, CHI. SUN TIMES, Aug. 15, 2004, at 20 (single mother of three borrowed a $1,000 at a 521% interest rate to deal with a financial emergency. Unable to pay the loan back quickly, interest and fees on her debt soon inflated the balance to $10,743)

18 PETERSON, TAMING THE SHARKS, *surpa* note 1, at 112-241; Lauren E. Willis, *Decisionmaking and the Limits of Disclosure: The Problem of Predatory Lending*, 65 MD. L. REV. 70, 749-788 (2006).

19 PETERSON, TAMING THE SHARKS, *supra* note 1, at 173-75; J. Andrew Curliss, *Loan Tactic Targeted*, RALEIGH NEWS AND OBSERVER, April 12, 2002, B3.

20 Uriah King, et al., *supra* note 2, at 2.

21 Johnson, *supra* note 10, at 77-97.

22 Rick Jurgens, National Consumer Law Center, Utilities and Payday Lenders: Convenient Payments, Killer Loans 26 (June 2007).

possibly even attracting crime.[23] Some have also complained that payday lenders clog the court system by bringing far more small claims court debt collection lawsuits than other businesses or institutions.[24] Payday lending may also tip consumers teetering on the edge of insolvency into bankruptcy, frustrating the collection efforts of other creditors that otherwise might have been able to collect.[25]

The payday lending industry and its apologists respond to their critics with the argument that repetitive indebtedness patterns are not evidence of chain debts, but of satisfied, repeat customers. They explain that the transaction costs for small loans are comparable to those of larger loans, necessitating higher prices. Payday lenders remind critics that their loans are collection intensive and also require high fixed costs because consumers demand close geographic proximity to lender locations.[26] Many economists treat each individual debtors' choices to borrow as conclusive evidence that these decision produce the greatest social utility possible. Some have argued that payday loans are necessary to help consumers bridge personal and communal tragedies.[27] But most of all, payday lenders and their apologists argue that regulation of payday lending is paternalistic. If a competent adult wants to pay triple digit interest rates, he or she should not be hindered from doing so. Most of these arguments echo those found in Jeremy Bentham's 18th century Letter in Defense of Usury.[28]

The competing perspectives of the payday lending industry and its critics has created an incendiary national debate over usury law and consumer protection regulations. Recently, a payday lending industry trade association raised the stakes in this debate by kicking off a multi-million dollar advertising and public relations blitz to squelch rising criticism of social fallout from their financial products.[29] For their part, critics of the payday lending industry have recently found a new and formidable ally in the United States Department of Defense. In recent years, the Pentagon has come to the conclusion that military service members were encountering significant financial, personal, and even military problems as a result

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23 Heather MacDonald, *Oakland to Restrict New Check-Cashing Stores,* OAKLAND TRIB., October 10, 2004; Annysa Johnson, *Payday Loan Stores in Crosshairs: Tosa Imposes One-Year Moratorium While it Studies Permanent Restrictions,* MILWAUKEE JOURNAL SENTINEL, Sept. 21, 2006, at 6;

24 Cy Ryan, *Governor Signs Law Payday Loan Bill, 27 More*, LAS VEGAS SUN, June 15, 2005, B4 (discussing 67,000 lawsuits brought by payday lenders against consumers in Clark County, Nevada).

25 Peterson, Taming the Sharks, *supra* note 1, at 206-08.

26 Mann & Hawkins, *supra* note 8.

27 Adair Morse, *Payday Lenders: Heroes or Villains*, Unpublished Manuscript, 2006, on file with author.

28 BENTHAM, *supra* note 3.

29 Stuart Elliott, *Critics of Lending Practices Adopt a Harder Edge*, N.Y. TIMES, March 6, 2007, C6; Susanne M. Schafer, *Payday Loan Industry Acts to Quell Criticism: The Lender's Trade Group Plans Changes, but Consumer Advocates and Lawmakers Remain Wary*, L.A. TIMES, March 8, 2007, at 8; Sue Kirchoff, *Payday Lenders Craft User Protections: Voluntary Guides Not Enough, Consumer Advocates Maintain*, USA TODAY, February 22, 2007, 1B.

of payday lending.[30] Responding to the irony of predatory lending to military personnel in a time of war,[31] Congress recently passed legislation which attempts to prevent payday lending to military service members by limiting permissible interest rates on loans to service members to no more than 36% APR.[32] While it is difficult to make generalizations about the American public, as a society we have tended to be conflicted regarding the important public policy issues that surround payday lending. On the one hand, most Americans are naturally skeptical of government regulation of open markets. On the other hand, very few Americans doubt the wisdom of banning, or at least aggressively regulating, public commerce in some especially dangerous products recreational narcotics, child pornography, and weapons grade plutonium are all uncontroversial examples. Moreover, safety measures such as seat belt laws and automobile air bag regulations find wide approval not only for the safety of the individual, but also because of the external costs passed on to government and the public by violators. It should not be unexpected that many will turn to their core moral and philosophical beliefs in mediating between these divisive perspectives. Because a large majority of the United States population is Christian, we should expect that the moral dictates of this religious perspective will play an important role in determining the future political and legal response to payday lending.[33]

B. Usury Law and the Christian Theological Tradition

Payday lending is neither new to world history, nor to the Christian tradition. Loans functionally similar to payday loans existed in Biblical times. There are extensive historical records of high cost, abusive loans throughout ancient Mesopotamia. Loan contracts and receipts were commonly recorded in cuneiform

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[30] UNITED STATES DEPARTMENT OF DEFENSE, REPORT ON PREDATORY LENDING PRACTICES DIRECTED AT MEMBERS OF THE ARMED FORCES AND THEIR DEPENDENTS 4-6 (2006), available at: http://www.defenselink.mil/pubs/pdfs/Report_to_Congress_final.pdf .

[31] *A Review of the Department of Defense's Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents: Hearing Before the Senate Committee on Banking, Housing, and Urban Affairs of the United States Senate,* 109th Cong. (2006) (statements of Senator Elizabeth Dole and Christopher Peterson, Associate Professor, University of Florida); *Financial Service Needs of Military Personnel and their Families: Hearing Before the Subcommittee on Oversight and Investigations of the Committee on Financial Services of the U.S. House of Representatives*, 109th Cong. at 7 (2006) (statement of Representative Maxine Waters).

[32] John Warner National Defense Authorization Act for Fiscal Year 2007, Pub. L. No. 109-364 , Sec. 670(a) (2007) ("A creditor . . . may not impose an annual percentage rate of interest greater than 36 percent with respect to the consumer credit extended to a covered service member or a dependent of a covered service member.").

[33] Our discussion of biblical and Christian theological perspective on payday lending should not be read as an endorsement of one religious perspective over another. In a democratic society, all religious perspectives are entitled to consideration and respect. This paper focuses on the Christian tradition because of the demographic, geographic, and political importance of that perspective in influencing the American political process. Because over seventy five percent of Americans identify themselves as Christians, the moral values and norms of this religion are relevant to a discussion consumer finance public policy. *See* Susan Pace Hamill, *An Evaluation of Federal Tax Policy Based on Judeo-Christian Ethics*, 25 VA. TAX. REV. 671, 675-76, n. 5 (2006) (citing census data).

on clay tablets. Payday lenders in the ancient world frequently used the lunar cycle as a tool in establishing short term loan due dates. Impoverished debtors were said to fear the coming of the new moon when small value, high cost loans came due. Indeed, apparently recognizing the harmful social side effects of loans similar to today's payday loans many religious and government institutions in the ancient world strictly regulated loan pricing. For example, the Babylonian Empire legally limited interest rates to 33 percent per annum on loans payable in grain, and 20 percent per annum on loans payable in silver. Similarly, the Roman Empire experimented with several different interest rate caps, eventually settling on a 12 percent per annum limit.

Against this historical backdrop, there can be little doubt that the Bible strongly condemns usurious lending. At least a dozen Biblical passages suggest that usurious lending, especially to the poor, is a grave sin. For example, the first reference to usury in the Bible states: "If thou lend money to any of my people that is poor by thee, thou shalt not be to him as an usurer, neither shall thou lay upon him usury."[34] The Book of Ezekiel suggests that usurious lending is a sin comparable to extortion and murdering in exchange for money. [35] This passage suggests grave punishment—hellfire—awaits usurers:

> As they gather silver, and brass, and iron, and lead, and tin, into the midst of the furnace, to blow the fire upon it, to melt it; so will I gather you in mine anger and in my fury, and I will leave you there and melt you. Yea, I will gather you and blow upon you in the fire of my wrath, and ye shall be melted in the midst thereof. As silver is melted in the midst of the furnace, so shall ye be melted in the midst thereof; and ye shall know that I the LORD have poured out my fury upon you. [36]

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[34] Exodus 22:25 (King James). Leviticus includes a comparable passage:

> And if they brother be waxen poor, and fallen in decay with thee; then thou shalt relieve him: yea though he be a stranger, or a sojourner; that he may live with thee. Take thou no usury of him, or increase: but fear thy God; that they brother may live with the. Thou shalt not give him they money upon usury, nor lend him they victuals for increase.

Leviticus, 25:35-37 (King James). *See also* Psalm 15: 1, 4-5 ("Lord, who shall abide in they tabernacle? Who shall dwell in they holy hill? …. He that putteth not out his money to usury, nor taketh reward against the innocent. He that doeth these things shall never be moved.").

[35] The passage states:

> In thee have they taken gifts to shed blood; thou hast taken usury and increase, and thou has greedily gained of they neighbors by extortion, and hast forgotten me, saith the lord GOD. Behold therefore I have smitten mine hand at thy dishonest gain which thou hast made, and at they blood which hath been in the midst of thee. Can thine heart endure, or can thine hands be strong in the days that I shall deal with thee? I the LORD have spoken it, and will do it. And I will scatter thee among the heathen, and disperse thee in the countries, and will consume thy filthiness out of thee. And thou shalt take thin inheritance in theyself in the sight of the heathen, and thou shalt know that I am the LORD.

Ezekiel 22:16-16 (King James).

[36] Ezekiel, 22:20-22 (King James). In a similar passage, usury and oppression of the poor is included in a list of sins that prevent redemption.

> He that hath not given forth on usury, neither hath taken increase, that hath withdrawn his hand from iniquity, hath executed true judgment between man

Similarly, Nehemiah rebuked his fellow Israelis for tolerating predatory lending within their community.[37] Proverbs suggests that even the prayers of usurers are an abomination.[38] New Testament passages in both Luke and Mathew emphasize charity, suggesting that one should not seek profit when lending to those in need.[39] And, Jesus' only recorded act of violence echoes the Old Testament's vitriol on the subject of ill-gotten profit. While the Bible appears ambiguous on this point, as a historical matter, it is likely that the money changers that Jesus whipped and expelled from the Hebrew temple made usurious loans.[40] Collectively, Biblical

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> and man, hath walked in my statutes, and hath kept my judgments, to deal truly; he is just, he shall surely live, saith the Lord GOD. If he beget a son that is a robber, a shedder of blood and that doeth like to any one of these things and that doeth not any of those duties but even hath eaten upon the mountains, and defiled his neighbor's wife, hat oppressed the poor and needy, hath spoiled by violence, hath not restored the pledge, and hath lifted up his eyes to the idols that committed abomination, Hath given forth upon usury, hath taken increase; shall he then live? He shall not live; he hath done all these abominations; he shall surely die; his blood shall be upon him. Now, lo, if he beget a son that seeth all his father's sins which he hat done, and considereth, and doeth not such like, that hath not eaten upon the mountains, neither hath lifted up his eyes to the idols of the house of Israel, hath not defiled his neighbor's wife, neither hath oppressed any, hath not witholden the pledge, neither hath spoiled by violence, but hath given his bread to the hungry, and hath covered the naked with a garment, that hath taken off his hand from the poor, that hath not received usury nor increase, hath executed my judgments, hath walked in my statutes; he shall not die for the iniquity of his father, he shall surely live.

Ezekiel, 18:8-17 (King James). *See also* Jeremiah, 15:10 (hinting at punishment awaiting usurers).

[37] Neh. 5:1-13.

[38] Proverbs 28: 6-9 (King James) ("Better is the poor that walketh in his uprightness, than he that is perverse in his ways, though he be rich. … He that by usury and unjust gain increaseth his substance, he shall gather if for him that will pity the poor. He that turneth away his ear from hearing the law, even his prayer shall be abomination.").

[39] Luke states:

> And if ye do good to them which do good to you, what thank have ye? For sinners also do even the same. And if ye lend to them of whom ye hope to receive, what thank have ye? For sinners also lend to sinners to receive as much again. But love ye your enemies and do good and lend, hoping for nothing again; and your reward shall be great, and ye shall be the children of the Highest; for he is kind unto the unthankful and to the evil.

Luke 6:33-35 (King James). *See also* Mathew 5:42 (King James) ("Give to him that asketh thee, and from him that would borrow of thee turn not thou away").

[40] John 2:14-15. Throughout the ancient Mediterranean, exchanging currency and lending money were closely linked. It is likely that some or most of the money changers operating at temples throughout the ancient Mediterranean loaned money in addition to exchanging currency. JAMES WILLIAM GILBART, THE HISTORY AND PRINCIPLES OF BANKING 2-3 (1834); BERNARD LEWIS, THE MIDDLE EAST: A BRIEF HISTORY OF THE LAST 2,000 YEARS 172 (1995); SCOTT B. MACDONALD & ALBERT L. GSTMANN, A HISTORY OF CREDIT AND POWER IN THE WESTERN WORLD 25 (2004); HENRI DANIEL-ROPS, DAILY LIFE IN THE TIME OF JESUS 251-52 (1961); PAUL MILLS, INTEREST IN INTEREST: THE OLD TESTAMENT BAN ON INTEREST AND ITS IMPLICATIONS FOR TODAY at 7 n.8 (1989); EDWARD E. COHEN, ATHENIAN ECONOMY AND SOCIETY: A BANKING PERSPECTIVE 7 (1992); Christopher Howgego, *The Supply and*

injunctions against usurious lending are at the core of the moral tradition that formed a foundation for modern American cultural attitudes toward debt.[41]

Moreover, the Biblical condemnation of usurious lenders is closely related to the deep and consistent message of the Bible demanding kind and just treatment of poor and vulnerable members of society.[42] For example, Deuteronomy demands "thou shalt not oppress an hired servant that is poor and needy, whether he be of they brethren, or of thy strangers that are in thy land within thy gates."[43] The Bible appears to demand special protection for society's most vulnerable members, commanding Christians to "[e]xecute true judgment, and shew mercy and compassion every man to his brother; and oppress not the widow, nor the fatherless, the stranger, nor the poor…."[44] Furthermore, Jesus expressed profound skepticism of "those who trust in riches," explaining that "[i]t is easier for a camel to go through the eye of a needle, than for a rich man to enter into the kingdom of God."[45] Moreover, Christ's Golden rule would appear to place triple digit interest rate loans in a jaundiced light: presumably usurious lenders ought not make abusive loans to others, since they themselves prefer not to borrow on such terms.[46] Indeed Jesus' exposition of the Golden Rule in the Gospel of Luke immediately precedes an exhortation to lend without expectation of reward.[47]

In the long centuries of evolving Christian theology following Biblical times, the controversy regarding the Biblical position on usury has focused on whether charging *any* interest at all is permissible. Some Old Testament passages appear to take the position that for Hebrew tribal members it was permissible to make interest bearing loans to foreigners, but not to fellow Jews.[48] Early Christians

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Use of Money in the Roman World 200 B.C. to A.D. 300, 82 J. OF ROMAN STUDIES 1, 14 (1992).

[41] Paul R. Rasnor, *Biblical Roots of Modern Consumer Credit Law*, 10 J. L. & RELIGION 157, 192 (1993).

[42] Richard H. Hiers, *Biblical Social Welfare Legislation: Protected Classes and Provisions for Persons in Need,* 17 J. L. & RELIGION 49, 49-57 (2002).

[43] Deut., 24:14. Second Samuel provides a parable emphasizing the importance of kind treatment of the poor:

> And the LORD sent Nathan unto David. And he came unto him, and said unto him, There were two men in one city; the one rich and the other poor. The rich man had exceeding many flocks and herds: But the poor man had nothing, save one little ewe lamb, which he had bought and nourished up: and it grew up together with him, and with his children; it did eat of his own meat, and drank of his own cup, and lay in his bosom, and was unto him as a daughter. And there came a traveler unto the rich man, and he spared to take of his own flock and of his own herd, to dress for the wayfaring man that was come unto him; but took the poor man's lamb, and dressed it for the man that was come to him. And David's anger was greatly kindled against the man; and he said to Nathan, As the Lord liveth, the man that hath done this thing shall surely die. And he shall restore the lamb fourfold, because he did this thing, and because he had no pity.

2 Samuel 12:1-6.

[44] Zechariah 7:9-10

[45] Mark 10:24-25.

[46] Math., 7:12; Luke, 6:31.

[47] Luke, 6:31-36.

[48] Deut. 23:19-20. *See also* Neh. 5:7-8. BENJAMIN NELSON, THE IDEA OF USURY: FROM TRIBAL BROTHERHOOD TO UNIVERSAL OTHERHOOD 29 (2d ed. 1969)

interpreted these sections as having changed in the wake of Christ's ministry. They believed that after Christ, the law permitting interest bearing loans to foreigners no longer applied because the New Testament notion of universal charity and brotherhood rendered the Old Testament injunction against interest applicable to all humanity.[49] For them, after Christ there were no "foreigners" as such. Thus, throughout the medieval era, both Papal and civil authorities banned all interest bearing loans.[50]

During the Renaissance and the Protestant reformation, both Catholic and Protestant religious leaders began to question the prohibition of all interest. Instead these leaders and theologians took the position that the Bible forbids only excessive interest. For example, John Calvin argued that ambiguity in the translation of the Bible led early Christians into a misinterpretation of God's moral vision.[51] Calvin pointed out that the Old Testament uses two different Hebrew words that have given translators trouble: *neshek* and *tarbit*. *Neshek* is used more frequently and appears by itself in some Biblical passages, such as the Bible's first mention of usury in Exodus.[52] The Hebrew word *neshek* shares an entomological root with the Hebrew verb "to bite." Focusing on this word, Calvin argued that the Bible only prohibited "biting"—or exorbitant—interest.[53] Moreover, Calvin and other early Protestants argued that Parable of the Ten Talents suggested that loans with modest interest rates, especially for commercial purposes, were permitted.[54] In this the New Testament parable a Master criticizes a servant for failing to invest funds entrusted to him.[55] Like Calvin, Martin Luther believed that some commercial transactions with prices comparable to interest rates of between five and six percent per annum were Biblically justified.[56] Similarly, in the Catholic

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[49] PAUL MILLS, INTEREST IN INTEREST: THE OLD TESTAMENT BAN ON INTEREST AND ITS IMPLICATIONS FOR TODAY 9 (1989)

[50] NELSON, *supra* note 48, at 29.

[51] Joshua Buch, Neshekh *and* Tarbit: *Usury from Bible to Modern Finance*, 33 JEWISH BIBLE Q. 15, 17-18 (2005); KERRIDGE, *supra* note 56, at 25-28.

[52] Buch, *supra* note 51, at 17.

[53] Speaking of the passage from Ezekiel quoted *infra* at note 35, Calvin explained:

> Here, among other crimes, Ezekiel numbers *foenus.* The word usury is not properly apt in this passage. *Neshek* is derived from the word for biting and is the name the Hebrews give to fenory, because it gnaws away and progressively devours wretched men.

KERRIDGE, *supra* note 56, at 25 (translating John Calvin, *Praelectiones in Libris Prophetiarum Jeremiae et Lamentationes necnon in Ezechielis Proheta viginti capita priora,* Amersterdam, 1567, p. 170); *See also* Nelson, *supra* note 48, at 75 n.5. (providing further discussion on this point); Buch, *supra* note 51, at 17-18 (same).

[54] John Calvin, *Epistolae et Responsa*, (Geneva 1575), pp. 355-57, *reprinted and translated in* ERIC KERRIDGE, USURY, INTEREST AND THE REFORMATION 93, 95 (2002); J.E. Hartley, *Debt, in* 1 THE NEW INTERNATIONAL STANDARD BIBLE ENCYCLOPEDIA 905-906 (Geoffrey W. Bromiley et., 1979).

[55] Math. 25:14-30.

[56] SYDNEY HOMER & RICHARD SYLLA, A HISTORY OF INTEREST RATES 80 (3d ed. 1996). Speaking of *Zinskauf,* annual rent charges accompanying the sell of land comparable to a contemporary mortgage, Luther explained, "I readily allow what the law and emperor allow: 5 or 6 in the hundred. But 20, 30, 40 that is overmuch." *See* ERIC KERRIDGE, USURY, INTEREST AND THE REFORMATION 41 (2002).

tradition Pope Paul II gave his tacit approval to church sponsored charitable pawnshops to charge a six percent simple nominal annual rate as early as 1461.[57]

But even in the comparatively relaxed usury theology following the reformation, high-cost lending continued to be viewed as a grievous sin. For example, while Calvin believed that God permitted modest interest rates he had nothing but contempt for those who made excessively priced loans to the impoverished calling them, "beyond doubt mean and money-grubbing," and suggesting they "will always be a brigand … and in [their] wickedness will go on the prowl, just as if there were no laws, no fairness, in short, no brotherly love among men."[58] Moreover, Calvin would likely not have been impressed with contemporary justifications of payday lending that rely on new financial terminology or changing technology. To similar arguments made in his day, Calvin responded that "we know the name of the usurer has been everywhere and in all times detested and disreputable . . . For crafty men are forever inventing some little subterfuge or other device to deceive God with."[59] For his part, Luther argued that "[a] manifest usurer one should excommunicate, that is one should not give him the sacrament."[60] And if a high-cost consumer lender were to attempt to repent, Luther argued that to do so, "he must become a Saccheus, give back in full what he has stolen to whom he skinned it off."[61]

John Wesley, the theologian perhaps most influential on conservative Christian Americans, held a view of usury similar to Calvin and Luther. [62] Wesley believed Christians should be wise stewards of their material wealth—avoiding and wherever possible responsibly repaying debts.[63] But, Wesley also counseled against forming hasty judgment of those unable to repay debts because "there may be secrets in the situation of a person which few but God are acquainted with."[64] Wesley was less circumspect on usurious lending than he was of necessitous

[57] *Id.* at 78.
[58] John Calvin, *Praelectiones in Libris Prophetiarum Jeremiae et Lamentationes necnon in Ezechielis Proheta viginti capita priora,* Amersterdam, 1567, p. 170 *reprinted and translated in* KERRIDG, *supra* note 56, at 111. *See also* Kerridge, *Id.* at 35 ("We should be deluding ourselves if we for one moment imagined that Calvin regarded ocker (usury in the narrow and common sense) with anything but the utmost loathing.")
[59] Kerridge, *supra* note 56, at 49 (translating John Calvin, *Commentari in Libros Mosis,* p. 527).
[60] Kerridge, *supra* note 56, at 38 (translating Martin Luther, *Tischreden, in* 8 LUTHERS WERKE IN AUSWAHL 276-77 (O. Clemen ed. 1930-35)).
[61] *Id.*
[62] DONALD W. DAYTON, THEOLOGICAL ROOTS OF PENTECOSTALISM 42-48, 88-89 (1987); Richard P. Heitzenrater, *John Wesley, in* HISTORICAL DICTIONARY OF METHODISM 321, 321-23 (Charles Yrigoyen Jr. & Susan E. Warrick, eds., 2005); Manfred Maruardt, John Wesley's Social Ethics: Praxis and Principles 9-15 (1992) RONALD H. STONE, JOHN WESLEY'S LIFE AND ETHICS 20 (2001). Jennifer Butler goes even further suggesting that it was Wesley's evangelical revivalism and commitment to overseas proselytizing that helped shape and guide Great Britain's empire. JENNIFER S. BUTLER, BORN AGAIN: THE CHRISTIAN RIGHT GLOBALIZED 6 (2006).
[63] John Wesley, *The Use of Money*, *in* 2 THE WORKS OF JOHN WESLEY: SERMONS II 37-70 at 266, 266-267 (Albert C. Outler, ed., 1985).
[64] John Wesley, *The Danger of Increasing Riches, in* 4 THE WORKS OF JOHN WESLEY: SERMONS IV 115-151, at178, 179 (Albert C. Outler, ed., 1987).

borrowing. He taught that one could not experience a true Christian transformation or conversion while continuing to make a living through high-cost lending.[65] Indeed, like Calvin and Luther, Wesley was grimly dubious of the prospects for usurers in the afterlife—preaching on this point that "nothing can [be] gain[ed] by swallowing up his neighbor's substance, without gaining the damnation of hell."[66]

In comparison to Europe, the religious history of the United States is generally viewed as complex. For example de Toquville noted that the Constitutional protection of the free exercise of religion and relatively permissive concept of religious tolerance—at least toward Christians—allowed many different faiths and sects to flower in early American history.[67] A complete catalogue of these faiths and their views on personal finance and abusive lending is beyond the scope of this Article. Still, we are aware of no new theological source, theory, or insight which has changed the basic reformation interpretation of the Biblical passages condemning usury.[68] In fact, to our knowledge no Christian theologian, pastor, or priest that has ever maintained that the Bible permits exorbitantly priced consumer loans. Indeed, if the Biblical injunction against usury, or *neshekh*, is to have any meaning at all in today's society, then making three hundred percent interest rate payday loans to impoverished borrowers must surely be a sin.[69]

Herein lies the puzzle driving this Article: if the Bible so clearly and forcefully condemns usury, one would hypothesize that political jurisdictions with a traditional, conservative Christian perspective would adopt law reflecting this Biblical value. The views of conservative Christian American on usurious lending are important not only sociologically—but also in predicting the future political and legal response to recent explosive growth in payday lending and other forms of high cost consumer credit targeting low and moderate income Americans. As a group conservative Christians are one of (if not *the*) most influential demographic interest groups in American society. The Christian theology of usury is an indispensable backdrop in understanding the contentious national debate over payday lending. As powerful money lenders and consumer rights organizations battle over payday lending regulation, what role will those that endorse Biblical values play?

III. METHODS

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[65] Wesley believed, as do many Americans that salvation—being saved—begins as an action taken in the present rather than in the afterlife. Dayton, *supra* note 62, at 45-47. In his view, usurious lending prevented one from having a truly Christian transformative experience. Wesley, *The Use of Money*, *supra* note 63, at 270-71.

[66] *Id.* ("We cannot devour the increase of [a neighbor's] lands, and perhaps the lands and houses themselves, by gaming, by overgrown bills … or by requiring or taking such interest as even the laws of our country forbid. Hereby all *pawnbrokering* is excluded, seeing whatever good we might do thereby unprejudiced men see with grief to be abundantly overbalanced by the evil. … Nothing can gain by swallowing up his neighbour's substance, without gaining the damnation of hell.")

[67] Alexis de Tocqueville, Democracy in America 290 (George Lawrence trans., J.P. Mayer, ed. Harper Perennial, 1969) ("There are an innumerable multitude of sects in the United States.").

[68] A small minority of theologians continue to maintain the medieval view of interest bearing loans. *See, e.g.* MILLS, *supra* note 40, at 42.

[69] Math. 6:24.

Interdisciplinary legal and geographic scholarship explores the relationship between law and space. It shows how law and legal institutions can manifest themselves in traceable ways across locations and boundaries. While legal rules are a product of human thought and communication, they are designed to control and influence events in the physical world. Jurists, legislators, and administrators all perceive the physical world and craft their policies in relation to it. Thus, "law and geography" scholarship uses geographic tools to understand the consequences of legal policies and institutions. And in turn, it explores the "inertia of space" —that is—how space shapes the process and substance of law.[70] Law and geography scholars have produced influential scholarship addressing legal issues in a variety of topical areas including race relations, homelessness, health care, gender, crime, and the environment.[71]

Interdisciplinary law and geography analysis has also produced influential consumer financial services scholarship. Several authors have used geographic analysis of home mortgage lending patterns to demonstrate racial bias in approval of credit applications.[72] Geographic analysis helped convinced Congress that in some communities banks accepted deposits but did not give out an equivalent

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[70] Nicholas K. Blomley & Joel C. Bakann, *Spacing Out: Towards a Critical Geography of Law*, 30 OSGOODE HALL L.J. 661, 664 (1992). There is, of course, far too much useful law and geography scholarship to list here. For a short introduction to the still emerging field, *see Id.*; Jane Holder & Carolyn Harrison, *Connecting Law and Geography*, *in* LAW & GEOGRAPHY 2 (Jane Holder & Carolyn Harrison, eds., 2002); David Delaney, Richard T. Ford, & Nicholas Blomley, *Preface: Where is Law?*, *in* THE LEGAL GEOGRAPHIES READER *xiii* (2001).

[71] Richard T. Ford, *Geography and Sovereignty: Jurisdictional Formation and Racial Segregation*, 49 STAN. L. REV. 1365 (1997) (contrasting the legal treatment of electoral districts with that of local government boundaries); Robert C. Ellickson, *Controlling Misconduct in City Spaces: Of Panhandlers, Skid Rows and Public Space Zoning*, 105 YALE L.J. 1165, 1171-72 (1995)(arguing for street-by-street variation in panhandling ordinances); Tom Koch & Ken Denike, *Geography: The Problem of Scale and Process Allocation: The US National Organ Transplant Act of 1986, Amended 1990*, *in* LAW & GEOGRAPHY 109, 122-23, 127-29 (Jane Holder & Carolyn Harrison, eds., 2002) (Geographic analysis of the Organ Transplant Act showed pockets of inadequate organ distribution and missed opportunities for organ harvesting in rural areas and among ethnic minorities); Carol Sanger, *Girls and the Getaway: Cars, Culture, and the Predicament of Gendered Space*, 144 U. PA. L. REV. 705, 709 (1995) (arguing post-automobile suburban geographic patterns and zoning ordinances have helped rigidify gender roles by creating the "chauffeur-mother"); Erik Luna, *Transparent Policing*, 85 IOWA L. REV. 1107, 1177-1193 (2000) (conducting spatial analysis of drug arrests along the north coast of San Diego County, Cal.); Robert J. Goldstein, *Putting Environmental Law on the Map: A Spatial Approach to Environmental Law Using GIS*, *in* LAW & GEOGRAPHY 523, 536-37 (Jane Holder & Carolyn Harrison, eds., 2002) (arguing for use of mapping technology to measure success of environmental laws).

[72] Joe T. Darden, *Lending Practices and Policies Affecting the American Metropolitan System*, *in* THE AMERICAN METROPOLITAN SYSTEM: PRESENT AND FUTURE 93 (S.D. Brunn 7 J. O. Wheeler, 1980); Steven R. Holloway, *Exploring the Neighborhood Contingency of Race Discrimination in Mortgage Lending in Columbus, Ohio*, 88 ANNALS OF ASSOC. OF AM. GEOGRAPHERS 252 (1998); Michael Reibel, *Geographic Variation in Mortgage Discrimination: Evidence from Los Angeles*, 21 URBAN GEOGRAPHY 45 (2000).

amount in loans—a process sometimes called "disinvestment."[73] Accordingly, Congress adopted the Community Reinvestment Act ("CRA") requiring that depository institutions make efforts to lend in low and moderate income neighborhoods within the contiguous geographic area surrounding their office or group of offices.[74] With respect to payday lending in particular, previous geographic evidence suggests these lenders disproportionately locate their branches in poor and minority neighborhoods.[75] Moreover, geographic evidence suggesting payday lenders cluster around military bases, targeting service members, was influential in persuading Congress to adopt a federal usury law and arbitration ban in some loans to military personnel.[76]

A. Locating the American Payday Lending Industry

To better understand the relationship between payday lending, usury law, and the Christian faith of many Americans, this Article explores the spatial location patterns of payday lenders and the political power of Conservative Christians. To that end, we have attempted to compile a list of the location of every payday lender location in the United States. Construction of our database was simplified in that eleven states have usury law effectively prohibiting payday lending within their borders. With the exception of a few states, the addresses of payday lenders were available either via mail or online from each state's regulatory authority. Telephone directories were used to gather address data for the remaining states that had either no regulatory authority or otherwise did not make addresses of regulated payday lenders publicly available. Moreover, in addition to mapping payday lenders, we also mapped every brick and mortar FDIC insured bank branch in the nation.[77] Mapping banks allows us to compare the spatial pattern and density of an

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[73] *Community Credit Needs: Hearings on S. 406 Before the Senate Comm. on Banking, Housing and Urban Affairs*, 95th Cong., 1st Sess. at 17 (1977); S.Rep. No. 175, 95th Cong., 1st Sess. 33 (1977); Robert G. Boehmer, *Mortgage Discrimination: Paperwork and Prohibitions Prove Insufficient—Is it Time for Simplification and Incentives?* 21 HOFSTRA L. REV. 603, 622 (1993).

[74] 12 U.S.C. § 2903. Under the CRA, banking regulators are required to conduct periodic law and geographic analyses of depository institutions potentially denying permission to merge or open new branches to institutions receiving poor evaluations. *See* Jonathan R. Macey and Geoffrey P. Miller, *The Community Reinvestment Act: An Economic Analysis*, 79 VA. L. REV. 291, 300 (1993) (describing this process).

[75] Steven M. Graves, *Landscapes of Predation, Landscapes of Neglect: A Location Analysis of Payday Lenders and Banks*, 55 PROFESSIONAL GEOGRAPHER 303, 312 (2003).

[76] Steven M. Graves & Christopher L. Peterson, *Predatory Lending and the Military: The Law and Geography of "Payday" Loans in Military Towns,* 66 OHIO ST. L.J. 1653 (2005); *A Review of the Department of Defense's Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents: Hearing Before the Senate Committee on Banking, Housing, and Urban Affairs of the United States Senate,* 109th Cong. (2006) (statements of Senator Elizabeth Dole and Christopher Peterson, Associate Professor, University of Florida).

[77] Mapping bank branches is much more simple than payday lenders because the Federal Deposit Insurance Corporation maintains a list of every FDIC insured bank location. Federal Deposit Insurance Corporation, Find an Institution, available at http://www2.fdic.gov/idasp/main.asp. The FDIC recognizes several categories of banks, for

industry closely related to payday lending. The map of banks provides a control group and a barometer of commercial activity at each spatial scale studied. Next, the addresses of over 24,000 payday lenders as well as every bank in the country were translated into latitude and longitude coordinates (a process known as geocoding) by an online address matching service.[78] Using Geographic Information Systems (GIS) software the latitude and longitude coordinates of every known payday lender and bank in the country were plotted as points on a map.[79] Throughout most of the country the number and location of payday lenders and banks are constantly changing, making our database, to a degree, a moving target. Nevertheless, we believe that this database is the most comprehensive map of payday lender locations yet created.

Once the addresses of payday lenders and banks were plotted as points on a map of the United States, we superimposed series of boundary maps upon the point map. Altogether, we analyzed the payday lending in six different statistical categories: States, counties, ZIP codes, state lower house legislative districts, state upper house legislative districts, and federal U.S. House of Representative districts. With the addition of Census data, these superimposed boundary maps allowed us to create a series of easily understood statistical measures of payday lending at a variety of geographic scale levels.[80] Moreover, the legislative district mapping allows some statistical analysis regarding the relationship between the prevalence of payday lending and the composition and party affiliations of congressional delegations. At the federal level, our database allowed us to compare payday lender density to Congressional voting patterns.

In addition to the simple count of payday lenders at each scale level, we also calculated the density of payday lenders on a per capita basis and a "per bank" basis. Taking per capita measures of this industry is important because simple counts of payday lending, especially at the more local scale can be misleading. Some places have enormous numbers of payday lenders, such as California, and many metropolitan counties; but when these counts are normalized by the number of citizens in these districts, we find other locations with smaller populations with much higher densities. By the same token, some locations with only a few payday lenders may appear unburdened by the industry until the per capita measurement is taken, whereupon one finds that this count may be far more than one would expect for the population in that region. Finally, we combined our count of payday lenders and banks at each spatial scale level to create a statistical measure of commercial density called a location quotient.[81] Location quotients are the primary

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our purposes, we removed from our databases, impermanent, and limited purposes branches (Downloaded from FDIC 4/11/07).

[78] Batchgeocode.com This website uses the Yahoo! Geocoding API, a commercial street map database, considered more accurate than the TIGER street map database.

[79] ESRI ArcMap 9.2 software. (a common professional geography computer program which allows users to compile, author, analyze, map, and publish geographic information. See Environmental System Research Institute, What Is Arcgis?, *available at* http://www.esri.com/software/arcgis/about/whats-new.html (2007).

[80] See United States Census Bureau, Census 2000 Summary File 3, *available at* http://www.census.gov (2007).

[81] This statistic, which is essentially a ratio of payday lenders to banks, helps put into context the zoning and business climates in which payday lenders operate. For an excellent

method professional geographers use to measure the relative density of a variety of economic activities.[82] Our location quotient formula allows us to measure the density of payday lenders, relative to banks, within a given geographic area.[83] Once payday lenders were counted and the per capita and location quotient figures generated, each geographic area was then given a rank based on three variables for ZIP codes, counties, and states. Legislative districts were ranked using per capita and location quotient ranks because districts have roughly equal populations, making the third rank statistically redundant. The ranks were then averaged together to create a composite ranking. This composite ranking provides what we believe is the most reasonable and transparent measure of the prevalence of payday lending within a geographic area.

B. Measuring the Political Power of Conservative Christian Americans

Once the maps and statistical picture of payday lending was complete, we then turned our attention to measuring the political power of conservative Christian

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introduction further explaining statistical geography *see generally* JAMES E. BURT & GERALD M. BARBER, ELEMENTARY STATISTICS FOR GEOGRAPHERS (1996).

[82] One standard location quotient formula is:

$$LQ = \frac{\frac{Xi}{\sum X}}{\frac{Yi}{\sum Y}}.$$

where *LQ* is the location quotient, *X* and *Y* are the businesses in question, and *i* is the geographic location, such as a ZIP code or a county. GARETH SHAW & DENNIS WHEELER, STATISTICAL TECHNIQUES IN GEOGRAPHICAL ANALYSIS 313 (2d ed. 1994).

[83] Because there are many ZIP codes with no payday lenders the standard location quotient formula is not suited to measuring this industry. Accordingly we modified this formula in order to include those areas without payday lenders and to see subtle differences between two areas with identical ratios of banks to payday lenders, but with different numbers (volume) of banks and payday lenders. Some ZIP codes, and indeed some entire counties function as retail, service and commercial districts for surrounding areas. These areas have a tendency to have both higher numbers of payday lenders and higher per capita densities of payday lenders than those areas they serve. Moreover, our location quotient allows us to determine if the ratio of payday lenders to banks is greater than the statewide (or nationwide) ratio for these two industries. Accordingly, our location quotient formula is:

$$LQ_i = \frac{X_i/(X_i + Y_i)}{X_n/(X_n + Y_n)}$$

where LQ_i is the local location quotient for a given geographic area, X_i are the payday lenders for that area,Y_i are the banks, X_n equals the sum of payday lenders statewide or nationally, and Y_n equals the sum of banks statewide or nationally. Thus, the formula might be expressed as "the location quotient at location *i* is equal to the ratio of payday lenders at location *i* (X_i) to the sum of payday lenders (X_i) and banks (Y_i)at location *i* divided by the ratio all payday lenders (X_n) to the sum of all payday lenders (X_n) and all banks (Y_n)." More simply stated, the Location Quotient equals the local ratio of payday lenders to banks plus payday lenders divided by equivalent ratio at the state (or national) level. In states where payday lending is legal, we assigned a value of .01 to those ZIP codes and the occasional county that were without a bank or a payday lender, enabling us to assign a location quotient to those locations.

Americans, so that we could see its effects on usury law. Measuring the power of Christian values in the legislative process is no easy task, especially at the state level, but we believe that we have created a reasonable proxy. This proxy, which we refer to as the Christian Power Index (CPI) was generated by ranking states according to three variables: 1) the per capita density of Evangelical Christians and Mormons, 2) a Christian Political Organization score, for state wide delegations and individual congress persons calculated by averaging the "score" assigned to each member of the U.S. House of Representatives and U.S. Senate by a panel of three conservative Christian political action groups, and 3) an average statewide Congressional delegation voting record on social/cultural issues as published online by Poole and Rosenthal.[84]

The first of the three measures in our CPI involved trying to rank states based on the simple percentage of people whom we believe are prone use their Christian faith to guide them as they vote for public officials. However, obtaining good data on religious affiliation is not easy. The geography of religion has been plagued by scant and unreliable data on church membership.[85] Churches are known to overstate their congregations and there are differences among congregations regarding who is a "member." For example, some churches count children and others do not. Some churches, perhaps those with little or no ties to national or regional organizations, are likely to be underrepresented because they may have impermanent addresses or other conditions that make them hard to include in a 'census' of church membership. Other means have been employed to define the "Bible Belt". For example, Tweedie used viewership ratings of so-called televangelist programs to demonstrate that televised Evangelical preachers are most popular in the traditional Deep South, but also in the conservative Methodist and Lutheran areas of the Midwest.[86] Fortunately, data on religious affiliation and membership has greatly improved in recent years and quality data is readily available from an online database maintained by the Association of Religion Data Archives (ARDA).[87]

We used ARDA data to build one-third of our Christian power index. For this measure we collected the rates of adherents for all Evangelical Denominations in

[84] The Poole and Rosenthal index is a highly sophisticated and well regarded measure of voting behavior for federal legislators and is published online at http://voteview.com. We used data from the 108th congress, because that congress was the last session for which all the data could be obtained for each legislative district. This congress also perhaps best reflects the public mood, legislative and political environment during a period when many states were considering or reconsidering legislation on payday lending. The data is available for download at: http://voteview.com/dwnomin.htm

[85] Wilbur Zelinsky, *An approach to the Religious Geography of the United States: Patterns of Church Membership in 1952*, 51 ANNALS OF THE ASSOC. OF AM. GEOGRAPHERS 139-193 (1961); James Shortridge, *Patterns of Religion in the United States,* 66 GEOGRAPHICAL REV. 424-434 (1976).

[86] Stephen Tweedie, *Viewing the Bible Belt,* 11 J. POPULAR CULTURE 865-876 (1978).

[87] *See* The Association of Religion Data Archives Maps and Reports at http://www.thearda.com/mapsReports/. This archive, housed at Pennsylvania State University is valued by researchers as the best data source of its sort anywhere. For further information regarding data quality see http://www.thearda.com/about/

each state.[88] To this rate, we added the rates of adherence for persons belonging to The Church of Jesus Christ of Latter Day Saints, commonly called Mormons.[89] Many consider Mormons, though quite different from Evangelicals in many respects on theological matters, to be largely in-line with most Evangelical Protestants on political and economic issues.[90]

The second component of our CPI was built from the opinions of conservative Christian groups actively engaged in the political process. We believe that such groups are well suited to evaluate the conservative Christian credentials of legislators and that it is important to use the public voice of conservative Christians themselves. We used "voter scorecards," published on-line by Project Vote Smart for three prominent Christian political action organizations: The Christian Coalition, the Family Research Council and the Christian Action Network.[91] Our

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[88] For a list of which denominations are included under the umbrella of "evangelical protestant denominations" *see* The Association of Religion Data Archives, Evangelical Protestant Denominations, http://www.thearda.com/mapsReports/reports/evangelical.asp. Generally speaking, ARDA researchers define "Evangelical Christians" as believing in a strict interpretation of Biblical scripture, claiming a personal relationship with Jesus Christ, actively seeking new converts and ascribing to a notion that Christian doctrine is useful guide to political and cultural issues in the modern world. Denominations included in the Evangelical category include many of the denominations commonly associated with the Christian Right, including a host of Baptist churches, various Pentecostal denominations, and a host of other conservative and fundamentalist groups as well as most non-denominational congregations. According to ARDA researchers, mainline Protestants, in contrast to Evangelicals, tend to be less literal in their interpretation of the Bible, less aggressive in their proselytizing activities and tend to keep separate their religious and political activities. Among the denominations included in the mainline Protestant category are most Lutheran Churches, many Methodists, Presbyterians, Episcopalians and others.

[89] ARDA researchers exclude Mormons from both the evangelical and mainline protestant classifications. Since Mormons are a significant presence in several western states and clearly exert an influence on politics in the states in which they are numerous, they were included in this study. Moreover, because the LDS Church is frequently allied with Evangelical Christians on political and cultural issues, their rates of adherence were added the rates for Evangelical Christians to provide a measure of religious conservatives that is both robust and nationwide.

[90] The combination of Evangelicals and Mormons is not intended to suppose some theological similarity, but rather reflects the fact that adherents of the two groups tend to share political values. *See* Shortridge, *supra* note 85 (similarly combining Mormons with "conservative protestants" in a geographic study of U.S. religion). Some mainline Protestant and Evangelical Christians take a skeptical view of Mormons, arguing they are not Christians. For their part, the Church of Jesus Christ of Latter Day Saints describes itself as Christian faith and all Mormons consider the Bible part of their scriptures. Gary J. Coleman, *Mom, Are We Christians,* ENSIGN, May 2007, 92-94. It is not our intention to take a position on this or any other theological view. With respect to this controversy, our description of Mormons as tending to be conservative Christians should be seen as a rhetorically convenient characterization, rather than a position of faith. For further discussion of the similarities and differences between Mormons and Evangelicals, *see* CRAIG L. BLOMBERG & STEPHEN E. ROBINSON, HOW WIDE THE DIVIDE?: A MORMON AND AN EVANGELICAL IN CONVERSATION (1997).

[91] Project Votesmart is a leading, non-partisan, non-profit political research organization whose goal is the promotion of democracy through the dissemination of candidate information. See http://www.vote-smart.org/index.htm or see http://www.vote-

purposes would have been better suited if these organizations rated every member of every local state legislature, rather than just the legislators in Washington D.C. because the state legislators are largely responsible for crafting much of the law that regulates payday lending. As it is, we have chosen to use the scores assigned to federal legislators as a proxy for their counterparts in state government. Our proxy measure was generated by calculating the average of the three organizations' voter scorecard "scores" for each member of the U.S. House of Representatives and U.S. Senate during the 108th congressional legislative session (2003-2005). An average score for each state's federal delegation (House and Senate) was also calculated to provide a numeric value for each state.

The final third of our CPI was derived from research conducted by Poole and Rosenthal, two well known and statistically sophisticated political scientists who publish their measures of congressional voting behavior online.[92] Using Poole and Rosenthal's roll call data, we extracted scores that reflect the tendencies of legislators to vote as a "social conservative" or a "social progressive".[93] We then calculated and ranked the average score for each state's entire congressional delegation, including senators.[94]

After each state had been ranked according to these three measures, the three rankings were then averaged to create the CPI and a CPI ranking. States in the Deep South and Mountain West rank high on our CPI and states in New England the Mid-Atlantic rank low. These findings confirm the common logic that many Evangelicals and Mormons live in the Deep South and Mountain West respectively and that their congressional representatives vote in accordance with the Christian values publicly espoused by their constituency and that these voting records have been favorably confirmed and recognized by Christian organizations, such as the Christian Coalition, who monitor the political behavior of elected officials on

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smart.org/issue_rating.php. These scorecards provide voters with a 0 to 100 rating for each legislator, with higher numbers going to officials who voted for legislation favored by the organization creating the scorecard and against legislation not favored by these organizations.

92 *See* http://voteview.com.

93 We extracted the DW-NOMINATE second dimension scores from the Poole and Rosenthal database for each member of the U.S. House of Representatives and for each U.S. Senator for the 108th congress. *Id.* The second dimension scores are based on actual yea or nay voting records. The designation of voting as "social conservative"' or a "social progressive" is Poole and Rosenthal's rather than our own.

94 It is worth noting that there were some significant discrepancies between the Christian Political Organizations' scores and the measure of social conservatism Poole and Rosenthal generated from congressional voting records. The discrepancies may be partly a result of differences stemming from the relatively few legislative items considered by the Christian Political Organizations, and the broader range of social/cultural votes measured by Poole and Rosenthal. It may also be due in part to the obvious differences in agendas driving the Christian Political Organizations and Poole and Rosenthal. These interesting discrepancies may be worthy of a separate research project, but they reinforce the logic that has driven our multi-faceted attempt to measure Christian political power. Even if it were to be proven that these three Christian Political Organizations do not accurately measure the voting record of the candidates they rate, these scores do accurately reflect *the opinions* of these organizations, to which we gladly defer to because they are a legitimate barometer of what these powerful, openly Evangelical Christian political advocacy groups believe about legislators and want their congregations and affiliates to believe about legislators.

behalf of their followers. Our hope is that this index of Christian political power, which is partly derived from the data collected at the federal level, will accurately reflect the political climate of the respective states.[95] Our CPI does closely match the findings of other interstate measures of political ideology. Our measure of ideological power differs from others in that it focuses more squarely on the role conservative Christians have on political ideology by including the opinions of Christian political organizations, and accounting for the percent of Evangelical Christians and Mormons in the electorate. Finally, by using simple statistical methods and widely available data, we also hoped to make our rankings as transparent as possible.

III. FINDINGS: PAYDAY LENDING IN AMERICA AND IN THE BIBLE BELT

In applying these methodologies we reach two empirical findings: First, rapid growth in the payday lending industry has fundamentally transformed the American financial services landscape. And, second, conservative Christian Americans are a prime demographic target of payday lenders. Moreover, this part also includes four case studies of particularly illustrative states.

A. Payday Lending has Fundamentally Transformed the American Financial Services Landscape

Historically, American usury law scrupulously conformed to Biblical values. Early American usury law grew directly out the condemnation of usury by early Protestant theologians. Indeed, the first American usury law, adopted by the Massachusetts colony in 1641, predates the United States Constitution by nearly 150 years.[96] That statute, recalling moral limits suggested by Luther, limited rates to no more than eight percent per annum.[97] Although the founding fathers of the United States disagreed on many issues, they were virtually unanimous in their support of reasonable limits on the prices of loans. Indeed, every delegate to the Constitutional Convention returned to states with aggressively enforced usury limits.[98] Historians agree that early American usury laws were generally modeled

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[95] William D. Berry et. al. *Measuring Citizen and Government Ideology in the American States 1960-1993,* 42 AM. J. POL. SCI. 327-348 (1998). – discusses the challenges of measuring the political ideology of citizens and elected officials…they also use federal delegation data in addition to other data to produce a measure of state ideology. Thomas M. Holbrook-Provow and Stephen C. Poe, *Measuring State Political Ideology* 15 AM. POL. Q. 399, 399 (1987); David Nice & Jeffrey Cohen *Ideological Consistency among State Party Delegations to the U.S. House, Senate and National Conventions*, 64 SOC.L SCI. Q. 871, 871 (1983).

[96] RANSOM H. TYLER, A TREATISE ON THE LAW OF USURY, PAWNS OR PLEDGES, AND MARITIME LOANS 50 (1878).The thirteen colonies ratified the U.S. Constitution 146 years later in 1787.

[97] *Id.*

[98] Christopher L. Peterson, *Usury Law, Payday Lending, and Statutory Sleight of Hand: Salience Distortion in American Credit Pricing Limits,* MINN. L. REV. (forthcoming Spring 2008). At independence Virginia had the lowest price cap, allowing a simple nominal annual rate of only five percent. Connecticut, Delaware, Maryland, New Hampshire, North Carolina, Pennsylvania, and Rhode Island capped rates at a simple, nominal annual interest

on the price cap included in the English Statute of Anne. This statute, in turn, was deeply influenced by the Christian perception of Biblical truth prevalent at the time. Early American usury law was also premised on a deep skepticism, not only of the forthrightness of borrowers, but also the morality and honesty of consumer creditors. The universality of Colonial adoption of simple nominal annual interest rate limits of between five and eight percent attests to an early American thrift ethic.

At the beginning of the twentieth century, reformers in many states believed that these limits were too low to provide legal, safe financing for middle class borrowers. At this point, many states passed small loan laws which gave some lenders licenses to charge simple interest rates of between 18 and 42 percent per year. To obtain these licenses, lenders were required to submit to regulatory oversight and could be sued by customers for exceeding the legal limit or for violating other regulations. In most states, these "special usury laws" remained in force throughout most of the twentieth century, including the Great Depression and the Second World War. As late as 1965, every state in the Republic retained relatively aggressive usury laws with a median limit of approximately 36 percent.[99] Similarly, in 1968 Congress passed a criminal loan sharking law creating a federal crime for lending at high interest rates. Under this law, a price amounting to a simple nominal annual rate of more than 42 percent was considered *per se* evidence of an extortionate loan sharking.

However, in recent decades, traditional American legal response to high cost consumer loans has corroded. At least two factors facilitated the slackening in usury law. First, the Supreme Court sparked a new era of federal preemption of state usury limits by granting national banks the authority to export high interest rate limits from states such as Delaware and South Dakota throughout the country.[100] And second, high inflation during this period caused prevailing market interest rates to rise, shrinking the potential profit margin separating lenders' cost of funds and their legal limits.[101] Instead of creating temporary exceptions to ancient usury rules, or allowing interest rate limits to float with an index of prevailing rates, a few legislatures repealed their limits altogether. Other legislatures have become more receptive to statutes that grant permission for lenders to lend at prices that would have shocked earlier American generations. It

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rate of 6 percent. New Jersey, and New York limited rates to seven percent. Georgia, Massachusetts, and Rhode Island allowed eight percent. *Id.*; TYLER ON USURY (1878).

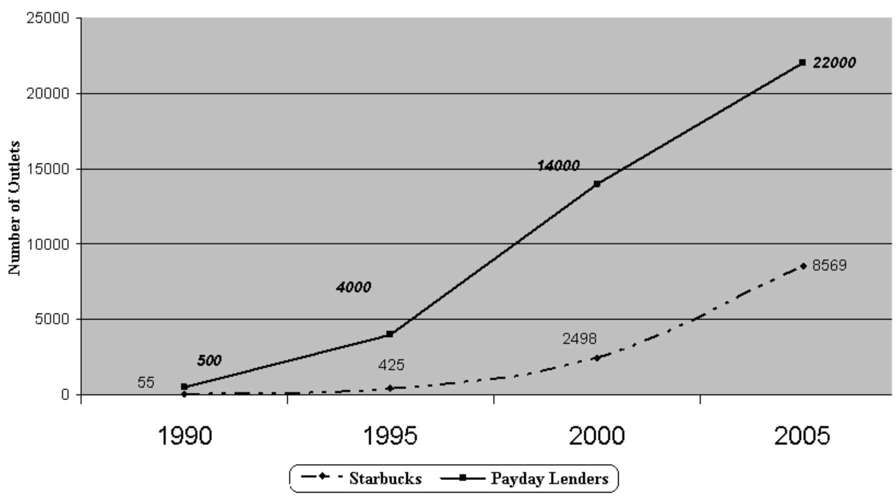
[99] Peterson, *Usury Law, Payday Loans, and Statutory Sleight of Hand*, *supra* note 98, Appendix.

[100] *Marquette National Bank v. First of Omaha Service Corp*. 439 U.S. 299, 312-13 (1978). For discussion of the impat of this descision *see* William F. Baxter, *Section 85 of the National Bank Act and Consumer Welfare*, 1995 UTAH L. REV. 1009, 1010-11, 1028; Richard P. Eckman, *The Delaware Consumer Credit Bank Act and 'Exporting' Interest Under Section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980*, 39 BUS. LAW. 1264, 1264-70 (1984); Donald C. Langevoot, *Statutory Obsolescence and the Judicial Process: The Revisionist Role of the Courts in Federal Banking Regulation*, 85 MICH. L. REV. 672, 686 (1987); Christopher L. Peterson, *Truth, Understanding, and High Cost Credit: The Historical Context of the Truth in Lending Act,* 55 FLA. L. REV. 807, 874 (2003); James J. White, *The Usury Trompe l'Oleil*, 51 S.C. L. REV. 445, 447-48 (2000).

[101] Peterson, *Truth, Understanding, and High-Cost Consumer Credit, supra* note 100, at 872-73.

was into this new breach in the wall of traditional American usury law that payday lenders began flowing at the end of 1980s and early 1990s.

Figure A. Nationwide growth of Payday Lender vs. Starbucks Coffee Shop Locations, 1990 to 2005



The growth of American payday lending in the 1990s and 2000s was so rapid, some context is useful in comprehending it. Figure A, contrasts the growth in payday lending outlets to the growth in Starbuck's coffee shops.[102] There is, of course, no relationship between the Starbucks and payday lending. Still, as a matter of historical coincidence, Starbucks began its rapid ascension to the leading coffee chain in the country at about the same time it became clear that the financial services industry lobby had successfully removed legal impediments to payday lending. Starbucks' growth is thus a good yardstick against which to measure payday lending because that growth has been so widely heralded. One commentator called Starbucks rise to prominence "[n]ot unlike the cultural blitz of personal computing."[103] Many believe that Starbucks was the most explosively successful American retail company in the second half of the twentieth century.[104] Still, this growth pales in comparison to the growth of payday lending outlets in

[102] *See* Starbucks, Company Timeline, http://www.starbucks.com/aboutus/Company_Timeline_Feb06.pdf (providing Starbucks location data). Payday lender location data are estimates gathered from a variety of sources. *See* http://www.fdic.gov/bank/analytical/fyi/2003/012903fyi.html (providing 1990 estimate) ; - http://www.kenan-flagler.unc.edu/assets/documents/CC_Payday_lending.pdf (providing 2000 estimate); http://www.chicagofed.org/cedric/files/2005_conf_paper_session1_flannery.pdf (providing 2005 estimate). The 1995 estimate of 4000 locations is the Authors' estimate.

[103] Jenneifer Reese, *Starbucks: Inside the Coffee Cult; America's Red-Hot Caffine Peddler Gives New Meaning to "Addiction," Preceision," and "Barista,"* FORTUNE, Dec. 9, 1996, available at: http://money.cnn.com/magazines/fortune/fortune_archive/1996/12/09/219373/index.htm.

[104] HOWARD SCHULTZ & DORI JONES YANG, POUR YOUR HEART INTO IT: HOW STARBUCKS BUILT A COMPANY ONE CUP AT A TIME (1997).

the wake of slackening usury limits. By 2005 the seemingly ubiquitous 8569 Starbucks locations were dwarfed by an estimated 22,000 payday loan outlets. Once usury laws were lifted, payday lenders poured into American neighborhoods like water over a breached dam.

Figure B. Payday Lender Location National Point Map, 2007.

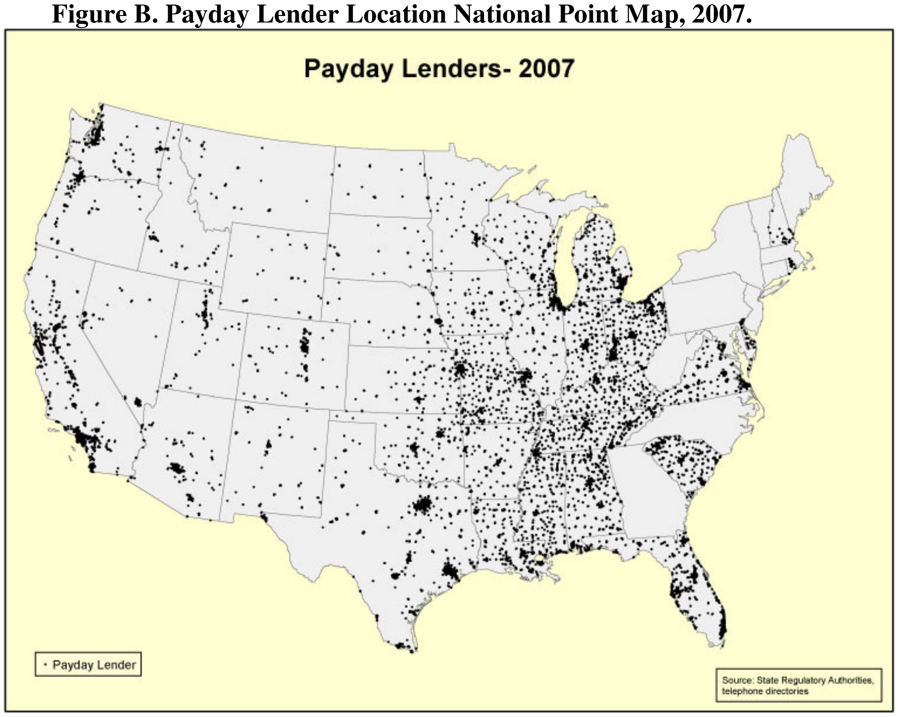
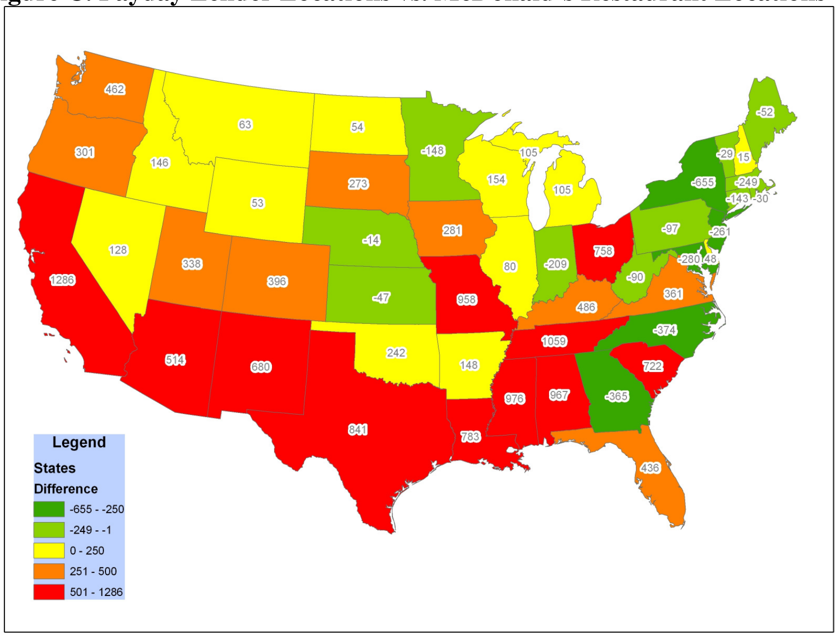


Figure B provides a point map that represents our accumulated database of payday lender addresses. We estimate that there are currently 24,017 payday lender locations in the United States. We believe this is the best estimate of the size and location of the American payday lending industry currently available to the public. The specific estimates of the number of payday lenders within each state, county, and legislative district are available in the Appendix following this Article. But, generally speaking, payday lenders charging average simple nominal annual interest rates of approximately 450 percent are now in every region of the country, both in the heartland and on the coasts. Lax usury laws in New Hampshire and Rhode Island have given triple digit interest rate payday lenders have a strong foothold in New England. Payday lending is flourishing in four out of five of the nation's most populous states: California, Texas, Florida, and Illinois.[105] The upper Midwest has large and growing payday lending industries, as do the arid Western states relative to their population. Not pictured above, Hawaii and Alaska also have active payday lending industries. The only states where we could not find large

[105] U.S. Census Bureau, Annual Estimates of the Population for the United States, Regions, States, and for Puerto Rico: April 1,2000 to July 1, 2006 (NST-EST2006-01) available at http://www.census.gov/popest/states/NST-ann-est.html.

payday lending industries are those states that have passed aggressive usury laws limiting interest rates to levels traditionally in force throughout American history.[106]

Figure C. Payday Lender Locations vs. McDonald's Restaurant Locations



To put the fundamental nature of this change in financial services into context, Figure C compares state payday lender location totals to those of the world's most common and widely recognized restaurant, McDonalds. Each state number was generated by taking the number of payday lenders in each state and subtracting the total number of McDonald's franchises.[107] In most states where usury limits allow payday loans, the number of payday loan locations easily exceeds the number of McDonald's restaurants. For example, in Florida, Texas, and California there are 436, 783, and 1,286 more payday lender locations than McDonald's locations respectively. The disparity is even greater in some smaller states. Missouri, Mississippi, and Alabama all have over 900 more payday lenders than they have McDonald's franchises. Payday lending was virtually non-existent in the United States in 1985. But, today payday lenders, which charge prices nearly twice those of the New York City mafia during its heyday,[108] has exploded into an industry with over twenty thousand retail outlets nationwide—more than McDonalds, Burger King, Sears, J.C. Penny, and Target Stores combined.[109] For those who are concerned about the social, moral, and even spiritual well being of the lower and moderate income Americans, this is a profound, unprecedented, and troubling change in the American nation.

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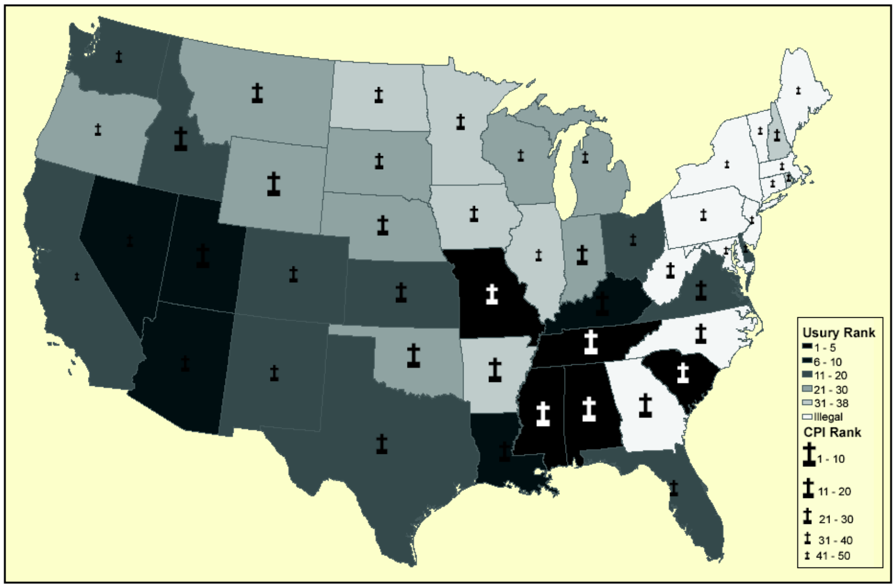
[106] *See* discussion *infra* part III, C.
[107] McDonald's United States Locations, http://www.mcdonalds.com/home.html
[108] *Supra* note 1 and accompanying text.
[109] HOWARD KARGER, SHORTCHANGED: LIFE AND DEBT IN THE FRINGE ECONOMY (2005).

B. *Conservative Christian Americans are a Prime Demographic Target for Payday Lenders*

The transformation in American financial services industry under the new usury permissive legal regime has not affected all Americans in the same way. It is well documented by prior research that payday lending is found in places with high poverty levels and large minority populations.[110] However, it is more surprising, that conservative Christian Americans also appear to be a prime demographic target for high cost payday loans. Moreover, it seems clear that their politicians seem to be helping place the target on their constituents back. Our database of payday lender locations and index of conservative Christian political power suggests that payday lenders tend to concentrate in high densities in conservative Christian states. Figure D provides a graphic illustration. This map compares national rankings of the intensity of payday lending within a state to the political power of conservative Christian Americans within that state. In state after state where conservative Christians hold high levels of political power we found tremendous densities of payday lending relative to state population and to the number of banks. Indeed, by every measure and every test, we found that in states with a high conservative Christian legislative score, we also found high densities of payday lenders. A quick examination of the map in Figure D, as well as that in Figure B above, makes it clear that the relationship would have been even stronger had Georgia and North Carolina, two states with significant conservative Christian political power, not recently outlawed payday lending. Despite these two recent exceptions, the evidence permits no doubt that living in state with a great deal of conservative Christian legislative power actually puts moderate and lower income consumers at greater risk from usurious payday loans.

Figure D. States Ranked According to Payday Lending and Conservative Christian American Political Power, 2007

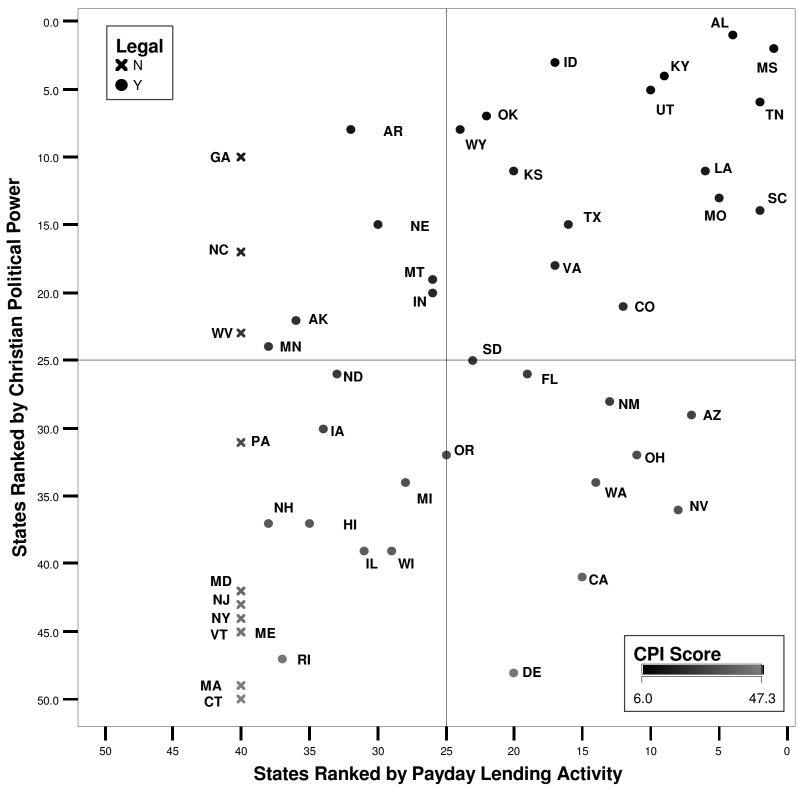
[110] Steven M. Graves, Landscapes of Predation, Landscapes of Neglect: A Location Analysis of Payday Lenders and Banks, 55 PROFESSIONAL GEOGRAPHER 303, 312 (2003) (studying payday lender location patterns in urban Illinois and Louisiana); KENNETH TEMKIN & NOAH SAWYER , FANNIE MAE FOUNDATION, ANALYSIS OF ALTERNATIVE FINANCIAL SERVICE PROVIDERS available at http://www.fanniemaefoundation.org/programs/pdf/021904_altfin_servproviders.pdf (viewed March 10, 2005) (studying check casher, pawnshop, and payday lender location patterns in Chicago, Atlanta, Houson, Kansas City, Los Angeles, Miami, Memphis, and Washington, D.C.)



Similarly, the scatterplot diagram in Figure E illustrates the relationship between the political power of conservative Christian Americans and the prevalence of payday lending. In this figure states in the upper right quadrant are ranked above average in both Christian political power and payday lending activity. Conversely, states in the lower left quadrant rank below average in Christian political power and rank below average on payday lending activity. Finally, states in the upper left quadrant rank above average on Christian political power and below average on payday lending activity, and vice versa for the lower right quadrant. States that have no interest rate cap or explicitly authorize payday loans with a licensing statute are designated with ● symbol, while those that retain a traditional usury limit prohibitive of payday loans are designated with an *x*. One would expect more of the states with legal restrictions on usury to be in the upper quadrants because these states scored high on our index of Christian political power, and it would be reasonable therefore to expect that states with a large Evangelical and/or Mormon population, and a legislature that is well-received by Christian political organizations to feature legislation restricting payday lending inspired by the numerous biblical injunctions against usury. Conversely, it is surprising that in many states where Evangelicals and Mormons are few, and where legislators have proven to be neither socially conservative, nor well received by Christian political organizations that scripturally inspired usury laws effectively banning payday lending remain. Only a few states fit the pattern one would expect. Georgia, North Carolina, and to a lesser extent West Virginia, each have above average rankings for Christian political power and have seen fit to ban usury. North Carolina and Georgia have recently reintroduced bans. West Virginia has maintained its ban on usury for many years. Similarly, but in reverse, are Delaware, California and Nevada; three states where low levels of Christian political power may have opened helped permit usurious businesses to flourish. Yet among the states with lower than average Christian political power, only

Arizona and Nevada rank among top ten worst states for payday lending. Compounding the curiously inverse relationship we have found is a statistical technique that has somewhat mitigated the intensity of this unexpected correlation. Several of the states ranked high on payday lending activity, such as Ohio, California and Florida, earned their lofty rankings partly because of the sheer number of payday lenders within their borders. Clearly this is a by-product of the large populations in those states. If each of these states, all with low Christian political scores, where considered just on the basis of the commercial and per capita densities, each would tumble in their ranking for payday lending, and move toward the lower left half of the diagram.

Figure E. States Ranked by Payday Lending Activity and Christian Political Power, 2007.



Moreover, the inferences suggested by Figures D and E are born out in statistical analysis. The Spearman's correlation coefficient of our payday lending severity index and Christian power index equals .559, which is statistically significant at the .001 level. [111] In simple terms, this means that we can be 99%

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[111] The standard spearman's ranking formula is:

sure that about 56% of the time when the Christian Power goes up, then payday lending per capita also rises. While this is by no means a perfect correlation—reflecting the great complexity of American life—it is nonetheless a strong relationship that bears further examination and reflection. By way of comparison, we also measured the correlation between our payday lending severity index and both the percent non-white population and the percent of persons living below the poverty level with the same Spearman's correlation coefficient. [112] Again confirming past research, the race and poverty correlations with payday lending were strong and statistically significant.[113] But, to our surprise, neither race nor poverty proved as highly correlated as our measure of conservative Christian political power. Stating these relationships in a different way, other things being equal, the political power of Conservative Christians within a state is a better predictor of payday lending severity than either race or poverty.

This relationship is also evident when looking at a payday lender severity by county, zip code, and legislative district. Table 1 lists the thirty U.S. counties with the worst payday lending problem when controlling both for population and commercial density patterns with a bank location quotient. We were surprised to find that *every* county ranking within this list is located squarely within the American Bible Belt. Underscoring the extent to which the provision of financial services has changed, in all of these counties save one, there are more payday lender locations than bank locations. Analyzing the location data through the geographic lens of ZIP codes and legislative districts paints a comparable picture. Of the thirty ZIP codes most saturated with payday lending in the United States, all but three are located in one of fifteen most conservative Christian states.[114] All but five of the thirty most worst payday lending state upper house legislative districts and eight of the worst lower house legislative districts in the country are found within the fifteen most conservative Christian states.[115] And of the thirty U.S. House of Representatives districts most saturated with payday lending, twenty five (including of the top ten) are among the most conservative Christian states.[116]

$$r_s = 1 - \frac{6\Sigma d^2}{n(n^2-1)}$$

[112] Both measures were made at the state level of geographic resolution and relied on year 2000 minority status and poverty data reported by the U.S. Census Bureau.

[113] The Spearman's correlation between our payday lending density index and the percent of the non-white population was .006**.** The correlation with the percent of the population below the poverty line was .499

[114] *See* Appendix A.

[115] *Id.*

[116] *Id.*

Table 1. Top 30 Payday Lending Counties in the United States, 2007.

County	St	Pop.	PDL	Banks	PDL per 10K pop	PDL Rank	Per Capita Rank	LQ Rank	Overall U.S. Rank
Jones	MS	64958	34	22	5.23	142	24	22	1
Florence	SC	125761	57	48	4.53	77	56	81	2
Dunklin	MO	33155	24	13	7.24	214	6	12	3
Panola	MS	34274	23	13	6.71	227	7	13	4
Lauderdale	MS	78161	37	32	4.73	126	44	89	5
Marshall	AL	82231	41	40	4.99	117	34	112	6
Aiken	SC	142552	49	31	3.44	89	153	21	6
Stoddard	MO	29705	25	19	8.42	202	3	63	8
DeSoto	MS	107199	56	59	5.22	78	25	167	9
St. Francois	MO	55641	28	24	5.03	175	32	84	10
Butler	MO	40867	24	19	5.87	214	15	66	11
St. Mary	LA	53500	26	21	4.86	191	38	71	12
Talladega	AL	80321	29	17	3.61	164	125	15	13
Montgomery	AL	223510	77	70	3.45	51	152	101	13
Tangipahoa	LA	100588	42	41	4.18	113	79	113	15
Grenada	MS	23263	18	8	7.74	296	4	5	15
Ascension	LO	76627	29	21	3.78	164	109	43	17
Houston	AL	88787	37	36	4.17	126	83	111	18
Hinds	MS	250800	83	82	3.31	44	169	115	19
Pike	MS	38940	23	20	5.91	227	13	90	20
Portsmouth	VA	100565	32	13	3.18	154	182	3	21
Spartanburg	SC	253791	80	75	3.15	47	188	106	22
Neshoba	MS	28684	17	11	5.93	314	10	22	23
Leflore	MS	37947	19	13	5.01	280	33	34	24
Sumter	SC	104646	33	17	3.15	150	187	11	25
Lincoln	MS	33166	17	8	5.13	314	28	6	25
Terrebonne	LA	104503	38	36	3.64	121	121	108	27
Scott	MO	40422	21	17	5.2	252	26	72	27
Russell	AL	49756	21	14	4.22	252	75	25	29

A. Payday Lending In Bible Country: Four Case Studies

While our database of payday lenders and political power of conservative Christian leaders covers the all fifty states, space limitations prevent a presentation of the complete results for each state.[117] Instead, this section discusses the law and

[117] In addition to the presentation of State-specific findings of the four states included in this Article, Appendix B. also includes summary findings for the remaining states where payday lending is legal.

geography of four states that shed light on the relationship between payday lending and the political power of conservative Christians. Alabama, Mississippi, Utah, and North Carolina are all states with a significant conservative Christian population and either have or had large payday lending industries.

1. Payday Lenders in the Heart of the Bible Belt: The Alabama Example

The Alabama legislature has never explicitly repealed its traditional usury law, which still purports to cap loan prices at a simple nominal annual interest rate of 8%.[118] However, today this cap is riddled with exceptions for various types of lenders, most notably including payday lenders. Alabama no longer limits credit prices with the time tested, traditional format: with an interest rate. Instead, arguably exercising some sleight of hand, the Alabama legislature authorized licensed payday lenders to charge up to "17.5% of the amount advanced."[119] While this modest number may seem innocuous, because payday loans have short initial durations (that frequently remain outstanding for longer time periods) this provision in the Alabama Code actually legalizes loans with simple nominal annual interest rates of around 456% on a typical payday loan.[120] In addition to the statute's loose price cap, Alabama law also has a variety of other largely cosmetic provisions that do not meaningfully impede payday lending.[121] These provisions mean little given that the legislature has explicitly authorized loans over two hundred percentage points more expensive than average New York City mafia loans made in connection with illegal gambling operations.[122]

This legal environment has facilitated a state commercial pattern saturated with payday lending when viewed by any of the various geographic scales of resolution considered in this study. For example, Congressman Artur Davis has the

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[118] ALA. CODE § 8-8-1; 5-18-1 to 5-19-31; 5-18-1 to 5-18-23 (2005); National Consumer Law Center, Cost of Credit § 2.5 (2000).
[119] ALA. CODE § 5-18A-3, 12(a) (2005).
[120] This figure assumes a $325.00 loan of with an initial duration of fourteen days. The APR figure was calculated with the U.S. Office of the Comptroller of the Currency's APR calculation software. Office of the Comptroller of the Currency, Annual Percentage Rate Program for Windows (APR) (2006) (available for download at: http://www.occ.treas.gov/aprwin.htm). *See also* Peterson, *Usury Law, Payday Loans, and Statutory Sleight of Hand*, *supra* note 98 (discussing methodology of calculating maximum permissible annual percentage rates under state usury laws). Although payday lenders also could operate under the authority of the Alabama Small Loan Act, ALA. CODE §§ 5-18-1 to 5-18-23 (2005), including its 36% annual interest rate, ALA. CODE § 5-18-15(a) (2005), lenders clearly prefer the generous interest rates authorized by the DPSA. Lenders also may charge a fee of thirty dollars for any bounced check. ALA. CODE § 5-18A-12(d) (2005); ALA. CODE § 8-8-15 (2005).
[121] Loans made under the DPSA are limited to an amount of $500, and their duration must be between ten and thirty-one days, although lenders may renew or extend the loan one time. ALA. CODE § 5-18A-12(a), 13(c) , 12(b) (2005). Also, a lender is not supposed to make a new payday loan to pay off an old loan. ALA. CODE § 5-18A-13(n) (2005). But consumer advocates have argued this type of limit has proven unenforceable both in Alabama and elsewhere. ALABAMA ARISE, HARD CASH: PREDATORY LENDING IN ALABAMA (Oct. 25, 2004), *available at* http://www.alarise.org/Predatory%20lending%20fact%20sheet%2010-04.pdf.
[122] *See infra* note 1, and accompanying text.

third most severe payday lending problem of any U.S. House of Representatives district in the entire country. In Davis' 7th district there are 202 payday lenders, which is not only 9th most of any district, but it also ranks 8th worst per capita nationally. With only 157 banks in the district, the 7th district's location quotient is 5th worst nationally. Terry Everett's district has 205 payday lenders, which is the 7th most nationally and 7th most per capita. Everett's district does have more banks than payday lenders, but the ratio is still the 21st worst in the country. Other congressional districts in Alabama have almost as much payday lending, with only one representatives district, Spencer Bachus', actually falling outside the worst thirty in the country.

When measured through the lens of state legislative districts, Alabama also appears to have a severe payday lending problem. The 20th, 19th and 31st State Senate districts also rank among the 25 worst for payday lending nationally and statewide. Jimmy Holley's 31st district, adjacent to Fort Rucker is the worst among the upper house districts with 50 payday lenders and 37 banks. Moreover, the 74th, 19th and 45th state congressional districts have the most payday lending among the lower house districts and each ranks among the top 25 nationally. Jay Love's 74th district on the North side of Montgomery and only a few miles from Maxwell Air Force Base has 25 payday lenders and only 8 banks for a relatively small population. Taking all three measures into account, this is the worst lower house district in the country, and using only the retail and per capita density figures, it ranks 5th worst nationally. Laura Hall's 19th district near Huntsville's Redstone Arsenal also has high numbers and densities of payday lenders and ranks 12th worst nationally for payday lending.

Several counties in Alabama also rank very high nationally for payday lending. Jefferson County has a 159 payday lenders, *double what some entire states have*. Marshall County has some 41 payday lenders and 40 banks, and a high per capita density, making it the 6th worst overall in the nation. Dallas County has the highest per capita density in Alabama and ranks among the worst 1% nationally in that category. Russell county, adjacent to Fort Benning ranks third worst in the state. Several ZIP codes in Alabama also rank among the worst in the nation for payday lending. Birmingham's 35228, Northport's 35473, and Montgomery's 36107 zip codes have no banks but multiple payday lenders, each among the 10 most lopsided ratios nationally. Decatur's 35601 ZIP code has 25 payday lenders, which is the 9th most of any ZIP code in the US, but overall Birmingham's 35214 ZIP code is Alabama's worst, with almost 20 payday lenders, but just five banks for a relatively small population.

All this—both Alabama's weak regulatory environment and its raging payday lender infestation—is puzzling given Alabama's impressive Bible Belt credentials. Alabama ranks first in the country according to our measure of the political power of conservative Christian Americans. This ranking is a result of very favorable opinions of its congressional delegation by the Christian political advocacy groups (7th best), their solidly conservative voting behavior (7th); and the fact that about 41% of its population is Evangelical Christian (4th most). And yet, these leaders that in so many other policy arenas vote in line with Biblical values stood essentially idle while the state developed one of the very worst usurious lending problems in the country.[123]

2. When Payday Lenders Outnumber Banks: The Mississippi Example

Like Alabama, Mississippi retains a low general usury limit that harkens back to the vanishing American thrift ethic.[124] Moreover, Mississippi also retains a small loan law authorizing licensed lenders to charge up to 36 percent per annum on loans of $1000 or less.[125] But these limits are now less commercially relevant given Mississippi's lax payday lending authorization legislation. Mississippi law prohibits payday lenders from charging more than 18% of the face amount of a personal check used by a borrower in obtaining a payday loan.[126] While a casual observer might equate this cap with once common state usury laws limiting consumer loans to a 18% simple nominal annual interest rate, the law actually allows an interest rate of 572.29% on a typical payday loan.[127]

This legal environment has facilitated the most severe payday lending problem in the nation. With only about 2.8 million people, Mississippi is one of the least populated states, but according to the best data available from the state of Mississippi, it has 1069 payday lenders, which for its population and number of banks, easily earns Mississippi the distinction of having the highest density of payday lending of any state. [128] If present trends continue, Mississippi will soon be the only American state to have more payday lenders than banks. Every one of Mississippi's four congressional districts ranks among the nation's most saturated by payday lenders. The dubious distinction of "worst in the nation" goes to Bennie Thompson's 2nd district, which has 308 payday lenders to 236 banks, the second most lopsided ratio in the nation. This is also the second most payday lenders of

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[123] See *infra* Appendix A. With 1,192 (7th most) payday lenders for its roughly 4.5 million people Alabama ranks 3rd in per capita density of payday lenders. Because there are only 1,438 banks in the state, it also ranks 3rd highest among the states in our relative banking density location quotient measure. Using our composite index, Alabama has the 4th worst payday lending problem in the country.

[124] The Mississippi general usury limit caps rates at the greater of ten percent or per annum or five percent above the discount rate on 90-day commercial paper in effect at the relevant Federal Reserve Bank. MISS. CODE § 75-17-1(2).

[125] Miss. Code § 75-17-21. In 1965 every state in the Union retained an interest rate limit. The national median cap was approximately 36% simple nominal annual interest rate. Peterson, *Usury Law, Payday Loans, and Statutory Sleight of Hand, supra* note 98.

[126] Miss. Code. § 75-67-519(4) (2006).

[127] This interest rate figure assumes a fourteen day loan of $325.00. The APR figure was calculated with the U.S. Office of the Comptroller of the Currency's free APR calculation software. Office of the Comptroller of the Currency, Annual Percentage Rate Program for Windows (APR) (2006) (available for download at: http://www.occ.treas.gov/aprwin.htm). *See also* Peterson, *Usury Law, Payday Loans, and Statutory Sleight of Hand*, *supra* note 98 (discussing methodology of calculating maximum permissible annual percentage rates under state usury laws).

[128] Our estimate of the number of payday lenders in Mississippi is derived from licensing information gathered by the Mississippi Office of the Banking Commissioner. This estimate was further verified in telephone interview with the Mississippi Banking Commissioner John S. Alison. Surveys of multiple telephone directories also support our Mississippi estimate.

any district in the nation, and the second highest per capita ratio in the country, trailing only the 1st district of Roger Wicker. Representative Wicker's district has 337 payday lenders—more than any other district in the nation. With 287 banks, Representative Wicker represents a district with the 7th worst relative location quotient ranking nationally. Wicker's district also has the most payday lender locations per capita, giving his district the second worst composite ranking in the nation for payday lending. Hardly any better off are Gene Taylor's 4th district, which ranks 5th worst nationally and Chip Pickering's 3rd district, which ranks 6th worst nationally.

Most of Mississippi's state legislative districts also have very high numbers and densities of payday lenders, several of them ranking among the worst nationally when they are compared to their counterparts outside Mississippi. Only a few of the highly gerrymandered, mostly white, safe districts have normal or below average concentrations of payday lenders. The worst among the upper house districts are Nolan Mettetal's 10th and Lydia Chassaniol's 14th, both rural districts along I-55 north of Jackson. Merle Flower's Memphis-area district, though it has the 2nd highest per capita density of payday lenders (41 for a population of around 54,000) among all US upper house districts, still only manages to rank 10th on our scale, which highlights the problems other districts have with payday lending. Among the districts in the lower chamber, Omeria Scott's 80th district, which includes a small Choctaw Indian Reservation, is worst, with 26 payday lenders for just over 20,000 people, or about 1.2 payday lenders per every 1,000 persons in the district. As unbelievable as that figure is, Ray Rogers' 61st district, surrounding Pearl, has 30 payday lenders for roughly the same population, or 1.23 payday lenders per 1,000 people. Walter McBride's 10th district ranks second worst statewide and Sid Bondurant's 24th district is third worst.

About half of all Mississippi counties rank in the top ten percent nationally for payday lending. Hinds County alone has more payday lenders than all of Minnesota and is 19th worst overall nationally for payday lending. But, Hinds County is actually only about average in Mississippi for per capita and commercial payday lending densities. The highest ratio of payday lenders (15) to banks (6) among Mississippi's counties is in Attala County, which has the second highest such ratio nationally. With less than 20,000 people, Attala county also has the 5th highest per capita ranking nationally and ranks worst nationally overall when those two statistics are considered together. If the total number of payday lenders is added to the ranking, then Jones County Mississippi is worst nationally for payday lending, because its overall ranking in three categories is lowest. However, when Mississippi's counties are considered apart from the rest of the U.S., then Panola and Grenada counties rank worst and second worst overall.

Mississippi's payday lending problem is also evident when viewed through the lens of ZIP codes--several of which also rank among the nation's worst. Indeed the three highest ZIP code rankings in the U.S. are all found in Mississippi. For example, Batesville ZIP code 38606 has three times more payday lenders (21) than banks and a very high per capita density (1.4 per 1,000) suggesting it is fairly considered among the nation's worst. Jackson has several ZIP codes swamped with payday lenders; worst among them appears to be 39204 which may be the second worst in the nation with 19 payday lenders and only 3 banks. But, the place with the worst payday lending problem in the entire United States may be Columbus' 39705 ZIP. This tract appears to have 12 payday lenders and not a single bank for a population of nearly 15,000 people.

Nevertheless, Mississippi's payday lending problem has developed under the watch of political leaders that aggressively promote Biblical values on many other legal questions. According to our methodology, Mississippi is second only to Alabama in the political power of conservative Christian Americans. About 40% of the people in Mississippi are Evangelical Christians, the 5th highest concentration of any state. Moreover, the Christian political advocacy organizations we surveyed gave Mississippi's Congressional delegation the 11th best evaluation in the country. And, in tune with its constituents on many issues, the Mississippi congressional delegation ranked 4th on Poole and Rosenthal's measure of social conservatism. Given these Christian credentials one would expect the leaders of Mississippi to give legal voice to the Biblical injunction against usury. Our results suggest they have not.

3. Payday Loans in the Mormon West: The Utah Example

Throughout most of the twentieth century, Utah had a general usury law capping interest rates at a simple nominal annual rate of 12%.[129] Moreover, the state also adopted a small loan law authorizing licensed lenders to make small consumer loans at up to 36% per annum.[130] But, unlike Alabama and Mississippi, Utah retains no consumer credit price limitation—either in a general usury law, a small loan law, or in its payday lending authorization legislation.[131] Nevertheless, the Utah legislature has passed a payday lending authorization statute. This legislation includes a variety of essentially cosmetic rules that do not meaningfully imped or change payday lending business practices within the state. Some of the rules simply echo federal law in force irrespective of the Utah statute.

This legal environment has facilitated the development of a powerful payday lending industry both in Utah's sparsely populated desert areas as well as the rapidly growing capital city. Utah has about 383 payday lenders, which for its small population is quite a lot. Per capita, Utah has the 9th highest density of payday lenders in the nation. Its payday lender to bank ratio is also far above the national average—8th highest in the country—giving Utah a composite total rank in the top 10. All of Utah's U.S. House districts have above average densities of payday lenders, the worst of the three being Rob Bishop's 1st district which ranks 45th out of 435 House districts for overall payday lending activity.

Measuring payday lending through the lens of state legislative districts also suggests a large payday lending industry given Utah's population. Following this population, most of the state's payday lenders can be found in the urban and suburban Interstate 15 corridor between Ogden and Provo. Among state senate districts, the largest absolute number of payday lenders are in Gene Davis' Salt

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[129] Legal Rate of Interest; Prohibiting Usurious Interest, ch. 46, §§ 1-2, 1907 Utah Laws 43.

[130] Utah Small Loan Act, ch. 15A, 1945 Utah Laws 31, § 13(a) (repealed 1969) (allowing charges up to 3% monthly).

[131] The Utah code states: "[T]he parties to a consumer credit agreement may contract for payment by the debtor of any finance charge and other charges and fees." UTAH CODE ANN. § 70C-2-101 (2007).

Lake City area 3rd district, but the highest densities controlling for population and commercial activity are just south of Hill Air Force Base in Sheldon Killpack's 21st district and Scott Jenkin's 20th district just north of Hill Air Force Base. Among the lower house districts, Oda Curtis' 14th district, which also borders Hill Air Force base, may be worst, with 15 payday lenders and only 6 banks for its roughly 34,000 citizens, or roughly one payday lender for every 5,000 citizens. The other district with similar levels of payday lending is Mark Wheatley's 35th district in the South Salt Lake City area.

Utah's payday lending problem is perhaps even more apparent at the county and ZIP code level. By way of comparison, Salt Lake County has more than twice the number of payday lenders than the entire state of Minnesota. Yet, about 10 Utah counties are worse than Salt Lake County overall for payday lending when controlling for their population and commercial activity. Topping the list are Tooele and Uintah counties which both have more payday lenders than banks and high per capita densities. Weber County ranks a strong third in this dubious category. In terms of ZIP codes, Ogden's 84405 and Layton's 84041 ZIP codes are tied for second worst in Utah for payday lending, again possibly owing to their close proximity to Hill Air Force Base. Other ZIP codes with especially high densities of payday lenders are in Salt Lake suburbs of West Valley (84119) and Kearns (84118). The suburb of South Salt Lake City has the sad distinction of hosting the ZIP code (84115) with the worst payday lending problem in a state replete with payday lenders.

Utah's payday lending saturation is both puzzling and ironic given that its large majority of Mormons and history of easy integration of religious doctrine into political life. Utah easily ranks 1st in percent of Evangelicals and Mormons per 1000 persons, with nearly two-thirds of its population Mormon. Although the Christian Political Organizations scoring politicians may vary greatly with Mormons on theological issues, they approve of Mormon politicians, ranking them 6th nationally, which is higher than the score given to any delegation from any state in old Dixie. The Poole and Rosenthal data, suggest that Utah's delegation is not quite as conservative as the former measure, but they still do show the delegation on the conservative side, and rank them 19th. Overall, Utah ranks 5th in our Christian Power Index. Given these political facts, the state would seem to be the ideal candidate for an outright ban on payday lending and other usurious lending practices. Like many other Americans, Mormons unequivocally embrace the Bible, and presumably its blistering condemnation of usury. It is true Mormons also embrace some of their own additional scriptural works, but these scriptures do not contradict Biblical teachings on usury. [132] In fact they appear to echo Biblical condemnation in passages suggesting hellfire awaits those who oppress wage earners and the poor.[133] Utah's payday lending infestation is made all the more

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[132] BRUCE R. MCCONKIE, MORMON DOCTRINE 819-20 (2nd ed. 1966).

[133] BOOK OF MORMON, 3 Nephi 24:5 ("And I will come near to you to judgment; and I will be a swift witness against . . . those that oppress the hireling in his wages . . . saith the Lord of Hosts."); *Id.*, Helaman 4:11-12 ("[T]he great slaughter which was among them, would not have happened had it not been for their wickedness and their abomination which was among them; yea, and it was among those also who professed to belong to the church of God. And it was because of the pride of their hearts, because of their exceeding riches, yea, it was because of their oppression to the poor . . . ."); *Id.,* Mormon 8:37-41 ("For behold, ye

surprising by its generally white, middle class demographic profile, highly educated population, and reputation for strong family bonds. Despite all these factors, Utah retains a payday lending problem more severe than many Bible Belt states in the South East including Arkansas, Georgia, North Carolina, Texas, and Virginia.

4. Born Again? The North Carolina Example

Throughout the twentieth century the North Carolina retained usury laws limiting prices on consumer loans. For example the state's highest price limit in the mid 1960s limited finance charges on a loan principal comparable to a typical contemporary payday loan to no more than $1.00 per $5.00 loaned per year—an interest rate limit of about 20%.[134] But like many other states in the eighties and nineties, the North Carolina legislature responded to consumer finance industry pressure by liberalizing its usury limits. In 1997 the North Carolina legislature passed a statute allowing payday lenders to obtain a license that authorized charging fees of 15% of the face amount of a check to defer the deposit of the check.[135] In a typical loan with an initial duration of two weeks, this law capped interest rates at about 360%.[136] However, unlike many states, North Carolina embraced this price limit somewhat more cautiously, treating the change in its laws as an experiment, rather than a permanent elimination of consumer protection law. The legislature included "sunset" provision in the legislation, stating that the licensing statute and its extremely high price limit would expire four years later, unless the legislature voted to extend its provisions.[137]

Despite the uncertain long term future of their capital investments in North Carolina, payday lenders did not hesitate to flood into the state. The number of payday lending outlets exploded from 307 in 1997 to 1204 by the year 2000.[138] As the four-year sunset date grew closer, many officials in the Bank Commissioners Office and the Legislature, as well as consumer rights organizations grew horrified at both the prices payday lenders were charging over long durations, as well as the disregard for many of the modestly protective rules that remained in the licensing

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do love money, and your substance, and your fine apparel, and the adorning of your churches, more than ye love the poor and the needy, the sick and the afflicted. O ye pollutions, ye hypocrites, ye teachers, who sell yourselves for that which will canker, why have ye polluted the holy church of God? Why are ye ashamed to take upon you the name of Christ? Why do ye not think that greater is the value of an endless happiness than that misery which never dies—because of the praise of the world? . . . Behold, the sword of vengeance hangeth over you; and the time soon cometh that he avengeth the blood of the saints upon you, for he will not suffer their cries any longer."); DOCTRINE & COVENENATS § 136:8 ("Let each company bear an equal proportion, according to the dividend of their property, in taking the poor, the widows, the fatherless, and the families of those who have gone into the army, that the cries of the widow and the fatherless come not up into the ears of the Lord against this people.")

[134] *See* Barbara CURRAN, TRENDS IN CONSUMER CREDIT LEGISLATION 163 (1965).

[135] N.C. GEN. STAT. § 53-281(D)(1997) (repealed 2001).

[136] APRWIN v.6.0.0 *supra* note 9.

[137] See Graves & Peterson, *supra* note 76, at 768.

[138] OFFICE OF THE COMM'R OF BANKS, REPORT TO THE GENERAL ASSEMBLY OF PAYDAY LENDING, Feb. 22, 2001, at 5.

statute. The Banking Commissioner's office found that North Carolina consumers were purchasing about sixty-three percent of their payday loans at annual interest rates between 460.08% and 805.15%.[139] Eighty-seven percent of borrowers were unable to pay the loans back after the initial duration, instead rolling their loans over any at least one time with any given lender.[140] Not counting debtors who borrowed from multiple locations, nearly forty percent of North Carolina borrowers renewed their payday loans more than ten times.[141] A study by a consumer advocacy organization estimated that it was long term borrowers that fueled the industry's profits with eighty-five percent of revenue coming from North Carolinians that had five or more payday loans per year.[142] Moreover, the Banking Commissioners office found an industry wide culture of lawlessness where in 718 payday lender inspections conducted over a three-year period, regulators found 8,911 violations of simple state consumer-protection rules.[143] Recognizing the tremendous social trauma represented by these numbers, the North Carolina legislature resisted tremendous industry pressure when it refused to extend the licensing statute passed the four year sunset date.

When the North Carolina legislature let its payday lending authorization legislation expire, the state reverted to its traditional small loan law which included a far more modest usury limit of 36% per year.[144] Despite this, for several years payday lenders refused to comply with the law and continued to market their triple digit interest rate payday loans throughout the state under a variety of dubious legal rationales. The state attorney general and the Banking Commissioner both began to attempt to force payday lenders to comply with the law or shut their doors. But by 2005, over six hundred payday lender locations continued to openly operate in clear violation of the law.[145]

Nevertheless, North Carolina's experience demonstrates that while returning to the traditional American legal environment can be difficult, it is not impossible. After long efforts, North Carolina's regulatory authorities have had substantial success in enforcing their reemployed usury limits. Most notably, in 2006 several of the largest payday lending chains including Check Into Cash, Check 'n Go, and Advance America entered into consent agreements with state authorities, closed their doors, and left the state.[146] The major national chains have all either left North

[139] *Id.*
[140] *Id.* at 6.
[141] *Id.*
[142] Peter Skillern, Cmty. Reinvestment Ass'n of N.C., Small Loans, Big Buck$: An Analysis of the Payday Lending Industry in North Carolina 4 (2002), *available at* http://www.cra-nc.orghttp://www.cra-nc.org/small%20loans%20big%20bucks.pdf.
[143] *Id.* at 2.
[144] N.C. GEN. STAT. § 53-173 (2007) (imposing an interest rate cap of thirty-six percent for loans under six hundred dollars, and a cap of fifteen percent on any amount loaned from six hundred dollars to three thousand dollars). This interest rate cap is a component of the North Carolina Consumer Finance Act ("NCCFA"). *Id.* at §§ 53-164 to 53-191 (2007).
[145] Graves and Peterson, *supra* note 76, at 770.
[146] Press Release, North Carolina Department of Justice, *Payday Lending on the Way Out in N.C.*, March 1, 2006.

Carolina altogether, or limited their business practices to traditional check cashing without a credit component.[147]

Today the government officials have no database or other information on payday lenders that continue to have a physical presence in the state. Moreover, the authors conducted an informal review of telephone directory listings in the state and could discern no significant "brick and mortar" payday lending presence.[148] After nearly seven years of aggressive enforcement efforts—following the legislature's four year experiment—North Carolina once again appears to once again be largely free of payday lending operations.

For purposes of this study, North Carolina also provides an important counterpoint to the claim that the density of payday lender locations correlates with the political power of conservative Christian Americans. North Carolina, like many states in the South East, has solid Christian credentials. Twenty-six percent of North Carolinians are Evangelical or Mormon. The conservative Christian advocacy groups gave the North Carolina delegation respectable scores, placing the state 28th out of fifty. And North Carolina's Congressional delegation ranks 13th on Poole and Rosenthal's measure of social conservativism. Together, these three factors made North Carolina 17th in our Christian power index ranking. While this places North Carolina behind many of the other more traditional Bible belt states, the state's population and leaders are clearly more in tune with conservative notion of Biblical values than most of the country. North Carolina, along with Georgia (10th in our CPI ranking) and West Virginia (23rd in our CPI ranking), should stand as legislative and regulatory models for other conservative Christian states that wish to re-impose traditional Biblical values in their consumer financial services markets.

VI. DISCUSSION

A. *The Politics of Usury in Conservative Christian States*

As we have emphasized in the previous section, this Article does not provide a causal explanation of the correlation between our payday lending density index and our Christian power index. For example, our research does not attempt to explain why—despite comparable legal environments—some states, such as Minnesota and New Hampshire, have fewer payday lenders relative to population and

[147] Ben Werner, *Payday Lender Closing 103 U.S. Branches: Spartanburg-based Advance America Exiting Oregon, May Leave Pennsylvania,* The State, September 21, 2007 ("This is the latest blow for the Spartanburg-based payday lender, which is fending off a spate of lawsuits at home and has already vacated Georgia and North Carolina.").

[148] Some business chains, such as ACE Cash Express, still operate store locations in the North Carolina, however the authors' calls to store outlets within the state indicate that these locations merely cash checks without offering credit by agreeing to hold the checks for the duration of a loan. In a few locations we did find telephone directory listings purporting to offer payday loans, but all of the listed telephone numbers were now disconnected. North Carolina, like other states, does still have a significant problem of payday lenders operating through the Internet web pages. *See* JEAN ANN FOX & ANNA PETRINI, CONSUMER FEDERATION OF AMERICA, INTERNET PAYDAY LENDING: HOW HIGH-PRICED LENDERS USE THE INTERNET TO MIRE BORROWERS IN DEBT AND EVADE STATE CONSUMER PROTECTIONS, *available at*: http://www.consumerfed.org (2004).

commercial activity than states such as Mississippi, Alabama, and Utah. We have refrained from attempting such an analysis for two reasons: first, because of the formidable methodological challenges posed by such an explanation; and second, because we are reluctant to enter into a potentially controversial, and perhaps even painful, debate about culture and faith that such a causal explanation might invite. Our data merely report a simple—but nonetheless important—geographic fact: there tend to be more payday lender locations in areas where conservative Christians live and control government. We leave it to others to explain *why* this relationship exists.

Nevertheless, we believe one causal observation is plain from our data. Irrespective of the religious tendencies, it is clear states that continue to impose and aggressively enforce traditional American usury law do not have significant payday lending industries. Thus, one necessary but not sufficient causal explanation of the correlation between payday lender density and conservative Christian political power is legal: most conservative Christian states have abandoned their traditional usury limits. Indeed of the fifteen states ranking highest on our measure of conservative Christian political power, fourteen have legislation explicitly authorizing payday lending. Two of these states have no usury limit whatsoever[149] and the remaining thirteen have crafted arguably misleading statutes that authorize interest rates of over 350 percent.[150] Only Georgia has attempted to forbid payday lending with a usury limit that is, although generous by historical standards, generally recognized as below the threshold necessary to facilitate the payday lending business model.

Table 2. Maximum Annual Percentage Rates of Top Fifteen Conservative Christian State Usury Limits on Typical Payday Loans, 2007

2007 CPI rank	State	APR of 2007 Usury Limit on a Typical Payday Loan
1	Alabama	456.29%
2	Mississippi	572.29%
3	Idaho	*No limit*
4	Kentucky	460.06%
5	Utah	*No limit*
6	Tennessee	240.66%
7	Oklahoma	381.04%
8	Wyoming	521.43%
8	Arkansas	432.38%
10	Georgia	219.40%
11	Kansas	391.07%
11	Louisiana	360.99%
13	Missouri	572.29%
14	S. Carolina	460.04%
15	Nebraska	460.06%

149 These states are Utah and Idaho.
150 These states are Alabama, Mississippi, Kentucky, T

Typical payday loan defined as 325.00 loan of 14 days.
Source: Peterson, Usury Law, Payday Loans, and Statutory Sleight of Hand[151]

Going beyond this legal reality, a deeper question remains: why have so many socially conservative, Christian states come to abandon their traditional response to usury? After all, in past generations, socially conservative Christian Americans have not always, and indeed have rarely, allied themselves with powerful corporate and financial interests. In the eighteenth and nineteenth century born-again Christians and evangelicals tended to be at the forefront of a variety of campaigns to ameliorate the living, working, and financial conditions of the poor.[152] For example, evangelicals supported laws prohibiting child labor and promoted universal education.[153] Many evangelicals have traditionally seen great peril to one's salvation in excess prosperity, and approached the wealthy financiers with profound skepticism.[154] At the beginning of the twentieth century, conservative Christian Americans repeatedly declared that "love of money was the root of all evil," and bemoaned what they say as growing materialism and consumerism of American society.[155]

This skepticism of those who too aggressively seek riches for themselves generated universal support of usury law in Conservative Christian states. Beginning in the colonial period and continuing through the early and mid twentieth century, legislatures in Bible belt states rigorously condemned and prohibited usury. At the founding of the American republic in 1776 Virginia, North Carolina, South Carolina, and Georgia all joined their northern counterparts in limiting simple nominal annual interest rates to between five and eight percent.[156] At the turn of the twentieth century, but for then still relatively unsettled Florida, every state in the Old South had a usury law. By 1965, every state on our list of the current most conservative Christian states, as well as every state in the Old South had a traditional usury limit. Almost all of these states limited credit interest rates to between 30 and 42 percent. The average interest rate limit on a short term consumer loan with a balance and initial duration comparable to today's payday loans was 36%.[157]

Starting in the 1980s, but more fully coming to fruition during the first term of George W. Bush, socially conservative Christians formed an alliance with powerful business interests. One of the key outcomes of the "Reagan Revolution" of the 1980s was the cementation of a powerful political marriage between business-minded, economic liberals and social conservatives within the Republican

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[151] Peterson, *Usury Law, Payday Loans, and Statutory Sleight of Hand*, *supra* note 98, at Appendix.
[152] STEVE BRUCE, CONSERVATIVE PROTESTANT POLITICS 145 (1998).
[153] *Id.*
[154] Gary Scott Smith, *Evangelicals Confront Corporate Capitalism: Advertising, Consumerism, Stewardship, and Spirituality, 1880-1930*, *in* MORE MONEY, MORE MINISTRY: MONEY AND EVANGELICALS IN RECENT NORTH AMERICAN HISTORY 39, 62-63 (Larry Eskridge & Mark A. Noll, eds. 2000).
[155] *Id.* at 62.
[156] Peterson, *Usury Law, Payday Loans, and Statutory Sleight of Hand*, *supra* note 98.
[157] *Id.*

Party.[158] For generations following the Civil War, southern Evangelical Christians, presumably still embittered by the Republican legacy created during reconstruction, were staunch supporters of the Democratic Party. For generations, populists in the Democratic party appealed to the Biblically inspired notions of charity faithfully adhered to by millions of socially conservative "Dixicrats". But, the Democratic party also included a host of other interest groups, including a variety of secular social progressives. While there was much common ground between socially conservative Christians and progressives on economic policy issues—such as usury law—the century long alliance was not able to withstand the tension created by issues like civil rights, abortion, prayer in school, and gun control. Ronald Regan, and later George W. Bush, were able to capitalize on the disaffected social conservatives who felt the Democratic party had become too liberal on many social issues. The Republican party welcomed the enormous and politically energized conservative Christians and their favored candidates, many of whom won election contests all the way from local school boards to the halls of the U.S. Senate. Biblical values were used unabashedly to forward legislation on a host of cultural issues, especially abortion, prayer in school, capital punishment and homosexual rights. However, the relatively new alliance between business minded corporate capitalists and social values conservatives profoundly muted Biblical values that had been historically used by Christian legislators to justify standards of basic commercial decency. The result of this alliance has been a purging of Biblical values from the economic policy realm in many otherwise conservative Christian states. Ironically, a fundamentally liberal moral relativism with respect to consumer finance has supplanted traditional Christian condemnation of the sin of usury, in turn facilitating the indebtedness, apparently at virtually any price, of millions of low and middle-income Americans.

B. Biblical Values and the Economics of Usury Law

Payday lenders and their apologists argue that payday loans merely respond to legitimate economic demand. They contend that repeat borrowing is evidence of customer satisfaction and of the social utility of salary loan products. In this view payday loans have higher prices because of high default rates as well as the high costs of originating and servicing payday debts. These arguments are all foreshadowed in Jeremy Bentham's classic treatise in defense of usury and have been the subject of hot dispute amongst academics for hundreds of years. Today more judges, legislators, regulators, professors, and business persons harbor suspicion of usury laws based on these economically inspired arguments than at any time in American history. Ultimately, engaging in this economic debate is beyond the scope of this article.

Nevertheless, it would seem that the task for conservative Christians and their leaders is to choose between these arguments or the Bible's apparent rejection of them.[159] For those Christians to whom the Bible's indictment of usurious lending is by itself insufficient, many of the economists, philosophers, and leaders who paved

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[158] James W. Lamare, Jerry L. Polinard, & Robert D. Wrinkle, *Texas: Religion and Politics in God's Country*, *in* THE CHRISTIAN RIGHT IN AMERICAN POLITICS: MARCHING TO THE MILLIENNIUM 59, 63 (John C. Green, et al., eds., 2003).

[159] Math. 16:6 ("[B]eware the leavan of the Pharisees…").

the way for the American republic and its economic system may supply further compelling justification. For example, Western civilization's most venerated economist, Adam Smith, recognized the need for laws placing a reasonable ceiling on credit pricing. While he rejected the medieval prohibition of all interest, Smith recognized that the market for loans could never be expected to perform efficiently so long as "prodigals and projectors" could be enticed into loans contrary to their own best interest.[160] Human nature being what it is, Smith argued usury limits "ought always to be somewhat above the lowest market price, or the price which is commonly paid for the use of money by those who can give the most undoubted security."[161] Surely Christians need not apologize for Biblical economics, when Adam Smith himself shared the same view? Moreover, characterizing usury law as a constraint on freedom forgets that predatory lending itself is a form of tyranny. In the words of John Locke, whose words later found their way into the American Declaration of Independence, "ill deserves the name of confinement [that] which hedges us in only from bogs and precipices."[162] Usury law hedges families in from bogs of inescapable 450 percent interest rate loans—thus, meaningfully preserving their ability to pursue life, liberty, and property.

On this point, America's founding fathers found no difficulty in reconciling the Biblical injunction against usury with their commitment to political and economic freedom because they recognized that usurious loans too easily become traps that ensnare our neighbors, children, siblings, and friends. If the Psalms are correct that "the borrower is a slave to the lender", then a free people ought to have no qualms about using the rule of law to prevent themselves and their fellow citizens from falling into indenture. This is why Benjamin Franklin exhorted his fellow Americans to "disdain the chain, preserve your *freedom*; and maintain your independency: be industrious and *free*; be frugal and *free*."[163]The notion of freedom as an organizing social and economic principal does not compel a

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[160] ADAM SMITH, THE WEALTH OF NATIONS, at Book II, Chapter IV (1787). *Cf* Joseph M. Jadlow, *Adam Smith on Usury Laws*, 32 J. OF FIN. 1195, 1195 (1977) (critically dismissing Smith's view of usury ceilings).Smith's mention of prodigals and projectors perhaps seems more portentous today than in 1977. Presumably it would be precisely these individuals who are most likely to suffer from imperfect heuristics and bounded rationality demonstrated by a host of behavioral economists in recent years. *See* Willis, *supra* note 18, at 749-788.

[161] SMITH, *supra*, note 160, at Book II, Chapter IV.

[162] JOHN LOCKE, THE SECOND TREATISE OF CIVIL GOVERNMENT ¶ 57 (1690). Locke continues:

> [T]the end of law is not to abolish or restrain, but to preserve and enlarge freedom: for in all the states of created beings capable of laws, where there is no law, there is no freedom: for liberty is, to be free from restraint and violence from others; which cannot be, where there is no law: but freedom is not, as we are told, a liberty for every man to do what he lists: (for who could be free, when every other man's humour might domineer over him?) but a liberty to dispose, and order as he lists, his person, actions, possessions, and his whole property, within the allowance of those laws under which he is, and therein not to be subject to the arbitrary will of another, but freely follow his own.

Id.

[163] Benjamin Franklin, *The Way to Wealth*, 1 THE NORTON ANTHOLOGY OF AMERICAN LITERATURE 213, 217-18 (Nina Baym, et. al., eds., Shorter Fourth ed. 1990) (emphasis added).

community of citizens to ignore the tyranny of usurers any more than it does that of murders, thieves, or opium traders.

It is true that the Bible instructs borrowers to repay their debts.[164] In the view of most conservative Christian Americans, sound financial stewardship is a personal responsibility born by every adult individual. Nevertheless, one would hope a debtor's weakness does not excuse a usurer's sin. Moreover, neither debtor weakness, nor usurer avarice, obviate the responsibility of community leaders to use law in the service of a just, humane, and well ordered society. For those that do believe the Bible condemns usury, the empirical findings of this Article should serve as a wakeup call highlighting the unprecedented practice and acceptance of usurious lending throughout most of the United States.

VI. CONCLUSION

This Article presents an empirical analysis of the correlation between payday lender locations and the political power of conservative Christian Americans. This study compiled an original nation wide database of payday lender locations--the most comprehensive catalogue of its kind yet created. Moreover, this study proposes a new index measuring political power of conservative Christians Americans. This analysis suggests that with over 24,000 payday lender locations nationwide, the payday lending industry has now fundamentally transformed the financial services sector catering to lower income Americans. Moreover, our findings should serve as conclusive proof that conservative Christian Americans are a prime demographic target of the payday lending industry. The elimination of traditional state usury law has facilitated nationwide growth of an industry of lenders charging average simple annual interest rates of over 450 percent. Rather than bastions of Christian charity, this study suggests that many conservative Christian states in particular have become legal safe havens for money changers that aggressively market usury to the America's poor.

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[164] Psalms 37:21.

APPENDIX A: SUMMARY EMPIRICAL FINDINGS

Table 1. Payday Lending Activity and Christian Power Index Rankings, for States with Legalized Payday Lending, 2007

State	PDL	PDL/10K	Banks	PDL Rank	PDL/10K Rank	LQ Rank.	U.S. PDL Total Rank	Christian Org. Rank	Poole/ Rsnthl Rank	Evan & Mormon Rank	CPI Rank
AL	1192	2.71	1438	7	3	3	4	7	7	4	1
AK	27	0.43	135	39	36	31	36	9	36	20	22
AZ	805	1.64	1194	11	11	6	7	15	43	26	29
AR	264	1.03	1348	27	26	32	32	34	3	2	8
CA	2477	0.74	6738	1	33	16	15	37	39	39	41
CO	652	1.58	1472	17	13	12	12	13	21	29	21
DE	104	1.36	250	32	17	13	20	45	47	42	48
FL	1352	0.88	5052	5	29	26	19	22	30	24	26
HI	54	0.46	290	36	35	34	35	50	24	31	37
ID	198	1.56	510	28	14	15	17	2	12	8	3
IL	762	0.63	4400	14	34	36	31	32	41	36	39
IN	588	0.98	2294	18	27	27	26	20	20	17	20
IA	274	0.95	1513	26	28	35	34	23	32	30	30
KN	388	1.45	1398	22	16	24	20	8	18	18	11
KY	788	1.98	1733	13	8	11	9	5	11	7	4
LA	977	2.23	1485	10	7	7	6	24	6	14	11
MI	753	0.76	3000	15	32	28	28	30	31	35	34
MN	62	0.13	1659	35	39	39	38	29	9	33	24
MS	1069	3.83	1075	9	1	1	1	11	4	5	2
MO	1278	2.32	2173	6	5	10	5	18	16	12	13
MT	109	1.23	350	31	19	22	26	18	14	22	19
NE	198	1.18	959	28	22	30	30	3	28	19	15
NV	420	2.23	526	20	6	4	8	26	37	34	36
NH	51	0.42	413	37	38	38	38	10	50	45	37
NM	280	1.60	455	25	12	9	13	31	27	21	28
ND	77	1.22	401	33	21	33	33	38	1	37	26
OH	1379	1.22	3858	4	20	17	11	21	35	38	32
OK	394	1.16	1198	21	23	20	22	4	22	3	7
OR	348	1.04	1051	24	25	19	25	40	29	25	32
RI	42	0.42	248	38	37	37	37	43	40	50	47
SC	1120	2.85	1286	8	2	2	2	25	15	9	14

SD	125	1.70	462	30	10	25	23	47	2	23	25
TN	1421	2.57	2099	3	4	5	2	14	8	6	6
TX	1706	0.84	5855	2	31	23	16	27	10	13	15
UT	383	1.77	607	23	9	8	10	6	19	1	5
VI	792	1.14	2443	12	24	21	17	12	25	16	18
WA	736	1.26	1860	16	18	14	14	42	26	28	34
WI	462	0.88	2184	19	30	29	29	36	46	27	39
WY	72	1.50	216	34	15	18	24	1	23	15	8

Table 2. Top 30 ZIP Codes in the United States for Payday Lenders, 2007

ZIP	City	State	Pop 2003	PDL	Banks	PDL/ 10K	PDL Rnk	PDL/ 10K Rank	LQ Rank	Overall U.S. Rank
39705	Columbus	MS	14010	12	0	8.57	241	116	1	1
39204	Jackson	MS	19778	19	3	9.61	42	91	290	2
38606	Batesville	MS	15492	21	7	13.56	32	50	397	3
37412	Chttnga.	TN	20571	21	6	10.21	32	80	373	4
80214	Denver	CO	26755	21	4	7.85	32	154	304	5
29649	Greenwood	SC	24444	19	4	7.77	42	158	322	6
38122	Memphis	TN	24287	22	7	9.06	26	105	396	7
38703	Greenville	MS	18919	13	1	6.87	191	219	125	8
35214	Birmingham	AL	21329	18	5	8.44	55	124	372	9
29841	N. Augusta	SC	30260	22	6	7.27	26	191	368	10
70806	Btn.Rouge	LA	26829	24	10	8.95	16	107	527	11
38118	Memphis	TN	47977	28	7	5.84	4	328	328	12
39090	Kosciusko	MS	12072	15	6	12.43	109	58	497	13
70815	Btn.Rouge	LA	29102	23	9	7.9	22	149	496	14
36109	Mntgmry.	AL	24350	19	7	7.8	42	155	476	15
64124	Kansas City	MO	13130	10	1	7.62	389	168	127	16
39208	Pearl	MS	30153	28	13	9.29	4	102	578	16
38901	Grenada	MS	17926	18	8	10.04	55	83	558	18
63801	Sikeston	MO	23269	22	11	9.45	26	98	587	19
80909	Colorado Springs	CO	40483	23	6	5.68	22	343	365	20
23605	Nwpt.News	VA	14642	10	1	6.83	389	223	127	21
29169	W.Columbia	SC	21560	18	8	8.35	55	132	558	22
38751	Indianola	MS	13595	14	6	10.3	145	79	535	23
36303	Dothan	AL	31262	24	12	7.68	16	165	587	24
29560	Lake City	SC	13386	13	5	9.71	191	89	492	25
71446	Leesville	LA	23851	17	7	7.13	71	201	525	26
29303	Spartanburg	SC	25702	15	4	5.84	109	329	367	27
39440	Laurel	MS	21311	31	16	14.55	2	42	771	28
38115	Memphis	TN	42548	25	10	5.88	9	320	497	29

Table 3: Top 30 State Upper House Legislative Districts for Payday Lenders in the United States, 2007

District	State	Office Holder	Party	Pop.	PDL/ 10K	PDL	Banks	LQ Rank	PDL/10K Rank	US Rank
28	MS	Alice V. Harden	D	54810	5.66	31	16	25	11	1
10	MS	Nolan Mettetal	D	57076	6.48	37	21	31	6	2
14	MS	Lydia Chassaniol	R	57245	6.64	38	23	37	5	3
35	SD	William Napoli,	R	22018	7.72	17	11	43	1	4
42	MS	Stacey Pickering	R	53999	6.11	33	21	42	9	5
30	SC	Kent M. Williams	D	89859	4.67	42	23	28	27	6
42	SC	Robert Ford	D	82928	4.94	41	24	34	21	6
20	AL	Linda Coleman	D	121886	4.02	49	21	14	47	8
15	NM	H. Diane Snyder	R	44654	6.72	30	22	60	3	9
40	MS	Sidney Albritton	R	56885	5.1	29	19	47	17	10
13	MS	Willie Simmons	D	53618	5.97	32	23	56	10	11
19	AL	Edward McClain	D	121797	3.94	48	21	17	50	12
24	SC	W. Greg Ryberg	R	86922	4.37	38	22	33	35	13
24	MT	Kim Gillan	D	17307	4.62	8	5	41	29	14
39	MS	Cindy Hyde-Smith	D	54891	4.92	27	19	52	22	15
18	MS	Gloria Williamson	D	57035	5.08	29	21	57	18	16
15	AZ	Ken Cheuvront	D	170479	3.81	65	29	18	59	17
16	MS	Bennie Turner	D	52171	3.83	20	10	21	57	18
32	SC	J. Yancey McGill	D	84525	4.14	35	23	48	41	19
35	SC	Phil P. Leventis	D	83578	3.59	30	13	16	76	20
32	MS	Sampson Jackson	D	52544	6.66	35	30	94	4	21
30	MS	Dean Kirby	R	56800	6.34	36	31	96	7	22
31	AL	Jimmy Holley	D	122750	4.07	50	37	61	45	23
11	SC	Glenn G. Reese	D	90820	4.95	45	38	90	20	24
19	MS	Merle Flowers	R	54180	7.57	41	37	108	2	24
25	MO	Rob Mayer	R	170302	5.46	93	81	99	12	26
37	LA	Max T. Malone	R	109121	4.58	50	40	80	31	26
29	CO	Bob Hagedorn	D	121154	3.47	42	19	20	91	26
8	MS	Jack Gordon	D	55086	4.18	23	18	72	40	29
21	MS	Joseph Thomas	D	53358	4.12	22	17	70	42	29

Table 4: Top 30 State Lower House District for Payday Lenders in the United States, 2007

District	State	Legislator	Party	Pop.	PDL	Banks	PDL /10K	LQ Rank	PDL/10K Rank	US Rank
7	MT	Jon Sonju	R	9468	9	2	9.51	25	4	1
87	TN	Rowe, Gary	D	54933	35	11	6.37	37	41	2
083	SC	Donald C. Smith	R	32672	21	7	6.43	41	38	3
95	SC	Jerry N. Govan, Jr.	D	32650	24	9	7.35	60	21	4
74	AL	Jay Love	R	40630	25	8	6.15	39	44	5
80	MS	Omeria Scott	D	22156	26	13	11.73	90	2	6
080	MT	Mary Caferro	D	8594	8	4	9.31	90	5	7
10	MS	Warner F. McBride	D	22837	20	10	8.76	90	10	8
24	MS	Sid Bondurant	D	22164	18	9	8.12	90	14	9
35	MS	Dannie Reed	R	22182	12	4	5.41	41	68	10
8	MS	Larry Baker	R	22176	14	6	6.31	71	42	11
19	AL	Laura Hall	D	42416	22	7	5.19	38	78	12
26	LA	Israel "Bo" Curtis	D	42886	27	12	6.30	77	43	13
021	MT	Tim Callahan	D	8770	5	2	5.70	63	60	14
051	SC	J. David Weeks	D	32341	21	10	6.49	88	37	15
075	MT	Jim Keane	D	8638	4	0	4.63	1	126	16
40	MS	Ted Mayhall	R	24479	14	6	5.72	71	58	17
89	TN	Marrero, Beverly	D	54970	27	7	4.91	35	98	18
9	WY	Dave Zwonitzer	R	8411	4	1	4.76	28	107	19
25	NM	Danice R. Picraux	D	25408	21	11	8.27	124	11	19
91	TN	DeBerry,Lois M.	D	56402	28	10	4.96	54	87	21
14	UT	Oda, Curtis	R	29701	15	6	5.05	63	82	22
45	AL	Owen Drake	R	40609	20	7	4.93	53	94	23
39	MS	Jeff Smith	D	24481	14	7	5.72	90	59	24
73	MT	Art Noonan	D	8698	7	4	8.05	140	16	25
57	MS	Edward Blackmon, Jr.	D	22239	12	6	5.40	90	70	26
69	MS	Alyce Griffin Clarke	D	22461	12	6	5.34	90	71	27
89	SC	Kenneth A. Bingham	R	32668	23	13	7.04	137	25	28
35	UT	Mark A Wheatley.	D	30138	16	8	5.31	90	73	29
9	NM	Patty Lundstrom	D	26757	14	7	5.23	90	76	30

Table 5: Top 30 U.S. House of Representative Districts for Payday Lenders, 2007.

Representative	State	District	Party	PDL	Banks	PDL/10K	LQ Rank	PDL Rank	PDL/10K Rank	Overall Rank
Bennie Thompson	MS	2	D	308	236	4.33	2	2	2	1
Roger Wicker	MS	1	R	337	287	4.74	7	1	1	2
John Spratt	SC	5	D	209	161	3.13	3	6	10	3
Artur Davis	AL	7	D	202	157	3.18	5	9	8	3
Gene Taylor	MS	4	D	284	257	3.99	9	4	5	5
Chip Pickering	MS	3	R	286	294	4.02	16	3	4	6
Steve Cohen	TN	9	D	182	151	2.88	6	16	14	6
Ed Pastor	AZ	4	D	173	84	2.70	1	19	19	6
Jo Ann Emerson	MO	8	R	265	289	4.26	24	5	3	9
Jim Clyburn	SC	6	D	192	187	2.87	12	12	15	9
Terry Everett	AL	2	R	205	221	3.23	21	7	7	11
Mike D. Rogers	AL	3	R	172	177	2.71	17	20	18	12
J. Gresham Barrett	SC	3	R	190	207	2.84	23	14	16	13
John S. Tanner	TN	8	D	204	250	3.23	34	8	6	14
Bob Inglis	SC	4	R	201	236	3.01	29	10	12	15
Ed Perlmutter	CO	7	D	157	157	2.56	15	27	26	15
Lincoln Davis	TN	4	D	191	230	3.02	32	13	11	17
Robert Cramer	AL	5	D	175	200	2.75	26	18	17	17
Shelley Berkley	NV	1	D	155	153	2.33	13	29	33	19
Emanuel Cleaver	MO	5	D	155	176	2.49	25	29	28	20
Rodney Alexander	LA	5	R	185	247	2.90	41	15	13	21
Jim McCrery	LA	4	R	167	202	2.62	33	23	25	22
Jo Bonner	AL	1	R	169	218	2.66	39	22	21	23
Charlie Melancon	LA	3	D	167	213	2.62	37	23	24	24
Robert C. Scott	VA	3	D	130	140	2.02	20	47	44	25
Robert Aderholt	AL	4	R	171	235	2.69	50	21	20	26
Raul Grijalva	AZ	7	D	100	94	1.56	10	67	64	27
Zach Wamp	TN	3	R	159	218	2.52	48	26	27	28
Roy Blunt	MO	7	R	196	311	3.15	67	11	9	29
Al Green	TX	9	D	100	99	1.53	14	67	70	30

APPENDIX B: STATE FINDINGS

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Alabama

Alabama findings are presented as a case study within the main Article.

Alaska

Payday lending in Alaska is permitted by a special usury statute authorizing payday loans. In particular, the Alaska legislature has adopted legislation allowing businesses operating with a deferred deposit loan license to charge an "origination fee not to exceed $5.00; and a fee that does not exceed $15.00 for each $100.00 of an advance, or 15 percent of the total amount of the advance, whichever is less."[165] On a typical payday loan of $325.00 with an initial duration of two weeks, the maximum permitted charge caries an Annual Percentage Rate of 432.38%. [166]

Alaska's payday lending situation is probably conditioned by its isolation and unique demographic characteristics. Only 27 payday lenders could be found in Alaska, giving it the lowest total of the 39 states with legalized payday lending. Most of the state's payday lenders can be found around Anchorage, and roughly half of those within a few miles of the perimeter of Elmendorf Air Force Base. On a per capita basis, the number of payday lenders is low, perhaps a result of the rural nature of the state. In terms of the ratio of payday lenders to banks, Alaska ranks 31st, suggesting that payday lenders are perhaps a little more common than one would expect in a state like Alaska. All told Alaska ranks 36th on our index of payday lending activity.

However, Alaska ranks in the middle of the states on our Christian Power Index. This is due mostly to the low score Alaska's small delegation gets from Poole and Rosenthal measure. However, the Christian Activist groups appear to like the few legislators in the three person Alaskan delegation, ranking them 9th. While the total number of Evangelicals and Mormons is low, Alaska is roughly in the middle on a per capita basis.

Because Alaska has only one at-large U.S. Congressman, it is difficult to compare Don Young's district with his colleagues. However, we can evaluate the pervasiveness of payday lending among the state's legislative districts. In the upper chamber, Johnny Ellis' District L, near Elmendorf Air Force Base, ranks worst for payday lending in Alaska. Gary Wiliken's district E, is not far behind,

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165 ALASKA STAT. § 06.50.460 (2007).
166 APR figure calculated using United States Office of the Comptroller of the Currency, APRWIN v. 6.0.0 Software.

also presumably burdened by higher densities of payday lenders because of the numerous military bases bordering the district. District G also ranks among the top three upper house districts. In the Lower House, districts also in proximity to the military bases near Anchorage and Fairbanks also rank worst in payday lending. Les Gara's 23rd district ranks worst, and is followed closely by Vic Kohring's 14th and Jay Ramras 10th districts.

At the ZIP code level, Fairbanks 99701 district has the distinction of having the greatest density of payday lenders. Wasilla's 99654 district was second and Anchorage's 99503 was the third worst in the state.

Arizona

Payday lending in Arizona is permitted by a special usury statute authorizing payday loans. Although payday loan fees are considered interest under federal law, the laws of the vast majority of states, and any traditional dictionary definition of interest, Arizona's payday lending statute insists that a payday loan fee "is not interest for purposes of any other law or rule of this state."[167] Under the law, a licensed payday lender may not charge "any fee … for accepting a check for deferred presentment or deposit that is more than fifteen per cent of the face amount of the check."[168] On a typical payday loan of $325.00 with an initial duration of two weeks, the maximum permitted charge caries an Annual Percentage Rate of 460.06%.[169]

With this regulatory environment, Arizona has developed a surprisingly large number and density of payday lenders for a state that seems so economically healthy. Arizona has the 7th highest density of payday locations in the nation. Arizona's 805 payday lenders is the 11th most among the states and given the population, it also ranks 11th on a per capita basis. However, given the number of banks in the state, Arizona has one of the highest densities of payday lenders, ranking 6th among the states in terms of the commercial density of payday lenders.

Arizona ranks 29th on our Christian Power Index, despite the fact that Christian political groups rank Arizona's delegation 15th best. Poole and Rosenthal consider Arizona's delegation less conservative, ranking them 43rd. The large number of Catholics offset the percentage of Evangelicals and Mormons in the state, making it 26th in Evangelicals and Mormons.

Within the borders of Arizona the picture is a bit different. Maricopa County, which contains Phoenix, has 526 payday lenders, the second most payday lenders of any county in the United States, and trailing only Los Angeles County in California. This is not an astounding number given its large size and population, but it nevertheless ranks among the worst 10% in the nation. Pima County (Tucson) likewise has a large number of payday lenders, ranking 24 nationally and also in the worst 10 percent nationally for payday lending once the per capita and per bank densities are considered. Graham County, which includes some of the

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167 AZ STAT. § 6-1260(H) (2007)
168 *Id.* § (F).
169 APR figure calculated using United States Office of the Comptroller of the Currency, APRWIN v. 6.0.0 Software.

San Carlos Indian reservation has a peculiarly inverted ratio of banks (4) to payday lenders (6), giving it one of the worst such ratios in the country.

The large size of Arizona's county borders make it somewhat difficult to compare them nationally, but Federal legislative districts are all roughly the same in terms of population, therefore providing a valuable scale with which to draw comparisons. U.S. Congressman Ed Pastor (D-4th) has one the six worst payday lending districts in the country. With a whopping 184 payday lenders to only 84 banks, it has the most lopsided such ratio in the country and its per capita ranking is not much better at 11th. Fellow Democrat Raul Grijalva's 7th district is hardly any better with 100 payday lenders to only 94 banks, and a high per capita density, his district ranks 27th among all 435 congressional districts.

Predictably, the state legislative districts serving Phoenix and Tucson also have very high numbers and densities of payday lenders. The worst district in the state is the multiple-member 15th House and Senate district. Occupied by David Lujan and Krysten Sinema (House) and Ken Cheuvront (Senate). Though such comparisons are difficult to make, this district has more payday lenders (65) than any of its national counterparts (House or Senate), an inverted payday lender to bank ratio (65 to 29) and a very high per capita density. This district has the very worst payday lending problem of any in the United States. Several other assembly districts, including the 18th, 13th and the 10th also have substantially more payday lenders than one would expect for the population or number of banks in those districts.

At the ZIP code level, Phoenix's 85015 district ranks worst in the state. Equidistant between the Salt River Indian Reservation and Luke Air Force base, it would seem, like many of its neighboring ZIP codes to be an ideal location for this industry. Second worst among the ZIP codes is Mesa's 85202, which is nearly adjacent to the Salt River Reservation, and is bounded by several other Mesa ZIP codes which also have large numbers and high densities of payday lenders. Tucson's 85706 ZIP code, which is similarly sandwiched between the San Xavier Reservation and Davis-Monthan Air Force Base also ranks among the top 10 worst ZIP codes in the state.

Arkansas

Payday lenders in Arkansas operate in what is likely the most paradoxical regulatory environment in the country. The Arkansas Constitution limits simple nominal annual interest rates on consumer loans with a 17% simple nominal annual cap.[170] Nevertheless, the Arkansas legislature has adopted a statute which purports to allow businesses that obtain a license to charge 10% of the face value of a payday loan check, plus an additional fee of $10.00.[171] On a typical payday loan of $325.00 with an initial duration of two weeks, the maximum permitted charge caries an interest rate of 423.40%. The Supreme Court of Arkansas has held that the current state payday lending authorization statute is unconstitutional and

[170] Ark. Const. art. 19, § 13.
[171] Ark. Code Ann. § 23-52-104 (2006).

contrary to the will of the people of Arkansas. [172] Defying its own Supreme Court, the Arkansas legislature, with the collusion of state regulators, has facilitated evasion of its own Constitution, siding instead with the well funded payday lending industry lobby. Hundreds of Arkansas payday lenders now openly charge predatory prices in violation of the state constitution.[173]

The regulatory uncertainty facing Arkansas payday lenders may help explain why it is one of the few southern states that does not rank among the top tier for payday lending. The number and density of payday lenders drops considerably once you cross into Arkansas from most of its neighbors. There are an estimated 264 payday lenders in Arkansas, considerably less than the 1,348 banks in the state, making its ratio between the two industries somewhat in line with national trends. Arkansas does rank among the top 10 states in our Christian Power Index, mostly because it ranks second among the states in percent of Evangelicals, and their congressional delegation is 3rd most conservative according to the Poole and Rosenthal data. Christian political groups do not hold the Arkansas in such high esteem, ranking them 34th.

None of Arkansas' US Congressional districts is especially crowded with payday lenders by national standards, but it is worth noting that Mike Ross' 4th does have an above average per capita mark, and ranks worst among the Arkansas' congressional districts on our composite index of payday lending. John Boozman's 3rd district is second worst in Arkanasas.

Among Arkansas' upper house district there is a tie for most payday lending activity. Danny Altes' 13th district, has a high per capita density of payday lenders and for Arkansas one of the highest ratios of payday lenders to banks. Barbara Horn's 21st district, also has a high per capita density, but this districts ratio of banks to payday lenders is even higher.

Arkansas' lower house district with the most payday lending activity is Harrelson's 1st district in Texarkana. Perhaps because of Texas' fluctuating legal environment for payday lenders, an unusal number have piled up on the Arkansas side of state line road, presumably serving customers in both states. The other lower house district with high densities of payday lenders is Medley's 64th district between central Fort Smith and Fort Chaffee National Guard/ Reserve Army Base. Though also a border town, the location of the payday lenders in Fort Smith doesn't seem to suggest that they are serving Oklahomans from across the border, but instead whomever may be working or residing at the military facility, which did for a period house refugees from Hurricane Katrina.

None of Arkansas' counties have particularly high densities on a national scale, but several do have relatively high ratios of payday lenders to banks,

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[172] Luebbers v. Money Store, Inc., 40 S.W.3d. 745, 749–50 (Ark. 2001) ("[T]he mere fact that the transaction has been given a certain form by the General Assembly will not exempt it from the scrutiny of the court, which is bound to exercise its judgment in determining whether or not the form of the transaction is a device to cover usury.").

[173] Jason Wiest, *Without Legislation, Payday Lending Battle Shifts Back to Court*, ARK. NEWS BUREAU, April 11, 2007, http://www.arkansasnews.com/archive/2007/04/11/News/341687.html; Arkansans Against Abusive Payday Lending, Payday Lenders in Arkansas: The Regulated and Unregulated 3 (February 2006) available at: http://www.stoppaydaypredators.org/pdfs/news%20articles/06_0200_Payday_U_Study.pdf.

including Hempstead County and Cross County, the latter of which also has the high per capita density in Arkansas. Among Arkansas' ZIP codes, Wynne's 72396 area is the worst, with more payday lenders than banks and a high per capita density.

California

The "California Deferred Deposit Transaction Law" (CDDTL) charges the Department of Corporations with licensing payday lenders, who then receive safe harbor exemption from constitutional and statutory usury laws. The CDDTL currently authorizes payday lenders to charge "15 percent of the face amount of [a] check."[174] Payday loans are limited in size to $300.00 per loan. A payday loan at the California statutory price and size limits with an initial duration of 14 days carries and interest rate of 460%.

California, in part because of its enormous population has 2,477 payday lenders, easily the most of any state. However, per capita and per bank, this ranks California behind most states. Overall, California ranks 15th in payday lending activity, but if one were to average out its high rank for overall numbers of payday lenders, it drops to 15th. California ranks low (41st) on our index of Christian Power, and is low on all three indicators of Conservative Christian political strength.

Because California has numerous, compact, heavily urbanized US congressional districts, gerrymandered for political purposes, and with demographic profiles very attractive to payday lenders, it comes as some surprise that none of them count among the 50 worst in the country. Partly this is a statistical mirage, produced by the astounding density of payday lending in some other parts of the US and partly because the urban nature of some of these districts creates conditions for fewer outlets with a higher volume loans per store. This is not to say that none of California's districts have a payday lending problem, several have specific conditions that rank among the nation's worst, and as usual, they are in impoverished, minority districts. For example, Maxine Water's 35th district in South Central Los Angeles has about 66 payday lenders and only 51 banks. This inverted relationship is rare, and ranks 4th worst in this category nationally. Ninety percent minority and one-quarter in poverty, the 35th is the type of district that payday lenders love. Still worse on our composite measure is Grace Napolitano's 38th district, south and east of Downtown Los Angeles. At around 85 percent minority, it too has high numbers and densities of payday lenders. Xavier Beccera's downtown 31st district also has more payday lenders than banks, and ranks 8th worst in that ratio nationally. Other districts in California with payday lending problems include those with either military or poor-minority profiles, such as Doris Matui's Sacramento area district or Devin Nunes' 21st district in the agrarian San Joaquin Valley. Predictably, payday lending is a rarity in California's wealthier, whiter areas along the coast.

Several districts in California's upper chamber stand out. Alex Padilla's 20th district in the San Fernando Valley has 96 payday lenders and 76 banks, a ratio that is quite rare in California. Padilla's district gerrymandered to insure a heavily

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174 CAL. FIN. CODE § 23036 (2007).

Latino constintuency, also has a very high per capita density of payday lenders, earning it the distinction of worst in California. Darrell Steinberg's Sacramento area 6th district and Gloria Negrete McCleod's 32nd Inland Empire district area share the distinction of having the second overall worst payday lending densities statewide. The 112 payday lenders in Mr. Steinberg's district are the most of State Senate district nationally.

Wilmer Carter's 62nd Inland Empire district has more payday lenders (51) than banks (39) and a high per capita density, making it the worst district in the state for payday lending. The second worst district statewide is Jean Fuller's Bakersfield-area 32nd district which also has a very high number and per capita density of payday lenders. The highest per capita density of payday lenders among the Assembly districts belongs to Michael Villnes' Fresno area 32nd district.

Counties in the Great Central Valley have the heaviest concentrations of payday lending in the Golden State. Large poor, immigrant, agricultural worker communities appear to be an appealing demographic to payday lenders. Fresno and Kern counties are the worst overall, but other in the I-5 corridor have similarly high densities. San Bernadino county, home to several military installations is 3rd worst in the state.

Fresno has several of the ZIP codes (93726,93727) with extraordinarily high payday lending activity, but Harbor City near Long Beach (90710) and the Sacramento area North Highlands (95660) neighborhood adjacent to the closed McClellan Air Force Base rank worst and second worst in the state for payday lending.

Colorado

Colorado law has historically classified lending money at interest rates in excess of 45% per annum a felony.[175] Moreover, licensed small loan lenders were limited to interest rates of 36% per annum.[176] However, since the Colorado adopted a Deferred Depose Loan Act, the state has come to tolerate much higher prices. This payday lender licensing statute gives lenders the right to charge 20% of the first $300 loaned, plus 7.5% of any amount in excess of $300.[177] Under this limit, a typical $325 loan with an initial duration of 14 days carries an interest rate of 496.40%.

Colorado ranks 12th worst among the states for payday lending activity. Given the relative prosperity of the state and demographic profile of Colorado, this ranking came as a surprise. There are 652 payday lenders in Colorado, a figure that ranks 17th among the states, but for the population, that's relatively high (1.58/per 10,000), 13th highest. Compared to the number of banks, payday lenders are also more common than the national average, making Colorado 13th in this category. Colorado's somewhat schizophrenic political nature is perhaps reflected in its very average (21st) Christian Power Index ranking. Colorado has a relatively small Evangelical/Mormon population and an average delegation score from Poole

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[175] COLO. REV. STAT. § 5-12-103, 18-15-104(1) (2007).
[176] Id. § 5-2-201.
[177] Id. § 5-3.1-105.

and Rosenthal (21st). Higher is the ranking for Colorado's congressional delegation at 13th, which despite its nationally loftiness, is near the bottom among its neighbors on the Plains and in the Rocky Mountains.

Colorado's payday lending pattern is unevenly spread across the state. Ed Perlmutter's 7th district is the 15th worst nationally for payday lending and easily one of the worst in the Western U.S. With 157 payday lenders and an equal number of banks, it has a very high ratio and a high per capita density. Doug Lamborn's 5th district, though having a relatively average demographic profile plays host to several military towns and therefore has attracted a great density of payday lenders to the Colorado Springs area, making this district second worst in Colorado.

A number of Colorado's state legislative districts have intense concentrations of payday lending activity. Bob Hagedorn's military-zone 29th district has more than twice the number of payday lenders (42) than banks (19), a ratio that ranks among the worst in the nation and easily the worst in Colorado. Betty Boyd's Lakewood-area 21st district and Lois Tochtrop's 24th district also have high per capita and commercial densities of payday lenders, ranking 2nd and 3rd worst respectively in the state. In the General Assembly, Larry Liston's Colorado Springs area 16th district easily leads other districts in the number and per capita density of payday lenders. The 16th district, near important military facilities has more than twice the number of payday lenders (30) than it has banks (13), and a high per capita density. These factors make it the worst in the state and one of the worst general assembly districts in the nation. Several other Colorado districts have unusually high densities of payday lenders, including Michael Garcia's 42nd district, Dorothy Butcher's 46th and John Soper's 34th. The 56th and 63rd districts are quite the opposite.

Adams, Peublo, Alamosa and Peublo Counties rank first through fourth for payday lending in Colorado, each with large numbers and high densities of payday lenders. Alamosa County has the highest per capita and per bank ratios statewide.

Denver's 80214 ZIP code is the 5th worst nationally with 21 payday lenders and only 4 banks and a massive per capita density. Second worst in the state, and 20th worst nationally is Colorado Springs' 80909 ZIP code with 23 payday lenders to only 6 banks. Other Colorado Springs area ZIP codes also rank among the state's worst. Aurora's 80011 ZIP code and Denver's 80260 also rank among the worst in Colorado.

Connecticut

Payday lending is illegal in Connecticut.[178]

Delaware

[178] CONN. GEN. STAT. § 36a-563 (2007).

Delaware eliminated its traditional legal restrictions on usurious lending following the U.S. Supreme Court's decision in *Marquette National Bank v. First of Omaha Service Corp*.[179] The Marquette decision interpreted a Civil War era federal banking law to mean that national banks could apply the usury limits of the bank's home state, rather than the borrower's home state.[180] This doctrine has allowed Delaware to attract banks that wish to lend to make usurious loans to consumers living in other states. Accordingly Delaware law now imposes no price limit on payday loans, instead allowing any charge "as the agreement governing the loan provides."[181]

While Delaware's creditor friendly statutes facilitate lending to consumers in other states, it has not attracted especially high densities of payday lender locations within its borders. Perhaps credit savvy Delawareans, aware of the costs of payday lenders avoid payday lenders. Only 107 appear to be operating in Delaware, which for the population and number of bank branches, is about average. Overall Delaware ranks 20th for payday lending activity, but this number may be lower, because it is not apparent exactly how many of Delaware's payday lenders are functioning as primarily as headquarters for out-of-state operations and how many are primarily engaged in lending to Delawarians.

Delaware's Christian Power Index score is 48th. There are small Evangelical and Mormon populations, and neither Christian Political Organizations, nor Poole and Rosenthal have judged their small congressional delegation to be very conservative.

Delaware has only one congressman Michael Castle, so it is difficult to compare his district to others, but in general it is safe to say that payday lending activity is slightly above the national average on a per capita and per bank measure. Among the state's senate districts, Catherine Cloutier's 5th Pennsylvania border district has the worst overall ranking with as many banks and payday lenders and a high per capita density. John Still's 17th district, near Dover Air Force Base has the most payday lenders and the highest per capita density, earning a second worst ranking. Michael Mulrooney's 17th district may has the most payday lenders among Delaware's lower house districts, but Dennis P. Williams' 1st district may have the highest per capita density. .

New Castle County has the most payday lenders (64) in Delaware, which is more than there all in all of Minnesota, but Kent county has the highest density of payday lenders. Claymont, on the border with Pennsylvania may have the highest concentration of payday lenders (by ZIP code) in Delaware, perhaps taking doing business with residents in the New Jersey and Philadelphia areas. Delmar and Shelbyville, on the southern border with Maryland, also have high concentrations and rank among the top 5 ZIP codes for payday lending in Delaware. The largest number of payday lenders in Delaware are however along U.S. route 13, just north of Dover Air Force Base.

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179 439 U.S. 299 (1978).

180 National Bank Act, ch. 106, § 30, 13 Stat. 99, 108 (1864) (codified as amended at 12 U.S.C. § 85 (2006)).

181 DEL. CODE ANN. tit. 5, § 2229 (2007).

Florida

The Florida legislature has passed a special exception to the Florida law allowing payday lenders to charge prices over sixteen ten times the traditional Florida limit. Florida's longstanding usury law stated that interest rates over 18% per annum are usurious. [182] Nevertheless, in recent years the state legislature has allowed payday lenders to shelter under a seemingly harmless in name statute entitled the "Deferred Presentment Act." This statute permits a "verification fee" of no more than $5.00 plus a fee of ten percent of a "cash advance."[183] Under these limits, a typical $325 loan with an initial duration of 14 days carries an interest rate of about 300%. However, there are strong indications that many Florida payday lenders use a different regulatory loophole to charge fees far in excess of even the Deferred Presentment Acts generous usury limit. Florida also has a an obscure statute that authorizes companies called "Credit Service Organizations" to take a fee in exchange for brokering loans from other companies.[184] Under this statute, payday lenders partner with anonymous third party companies (some of which likely have close ties to the payday lender itself) to make payday loans outside the scope of the Deferred Presentment Act's price limit.[185] In these arrangements the underlying loan itself generally complies with state law, but the company also assesses a "brokering fee" that generates a price that far in excess of the usury limit.[186] As a result, many payday lenders in Florida simply ignore the Deferred Presentment Act's 300% usury limit by generating the bulk of their revenue from fees nominally associated with brokering, but functionally identical to interest.[187] Given this essentially unregulated loop-hole Florida law should be considered in a class similar to Delaware, South Dakota, Utah, Idaho, Nevada, and other states that have no price limits on payday loans whatsoever. In actuality, many Florida payday loans carry interest rates well in excess of the Deferred Presentment Act's limit.

Though geographically Florida is clearly a southern state, it can hardly be considered a typical state of the South, and our research only adds to this widely held opinion. Florida, unlike most of its brethren in the Southeast, has a low payday lending ranking (19th). Though it has an estimated 1,352 payday lenders (5th most), on a per capita basis this is not an especially high number, ranking 29th among other states on this statistic. Compared to the number of banks, Florida also has a moderate number of payday lenders as well and a location quotient that ranks 26th highest among the states.

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182 FLA. STAT. §§ 6687.02(1), 687.03(1) (2007).

183 *Id.* § 560.404(19).

184 *Id.* § 817.7001(2)(a)(2).

185 Richard Burnett, *Some Payday Lenders Flout State's Reform Law: They Say the Law Doesn't Apply Because they are Exempt or Peddle Loans via the Web,* ORLANDO SENTINEL, April 1, 2007, A1. *See also* Don Baylor, *Loopholes Allow Loan Sharks to Prey on Hardworking Texans,* SAN ANTONIO EXPRESS-NEWS, Feb. 16, 2007, 9B (discussing similar phenomenon in Texas); Pamela Yip, *Tightening Payday Lending Loopholes*, DALLAS MORNING NEWS, March 5, 2007, 1D (same).

186 *Id.*

187 *Id.*

Florida is not typical of Southern states in terms of its overall Christian political strength (rank = 26). With a large Catholic population, and many Mainline Protestant immigrants, the percent of Floridians who are Evangelical or Mormon is very average (14.5%) on a national scale. Florida's congressional delegation is 30th most conservative, which apparently does not impress our panel of Christian Political Organizations either, who collectively rank the delegation 22nd best.

Florida has a large congressional delegation, but only a few of the districts are particularly overrun with payday lenders, which is partly a result of the highly gerrymandered districts that carve through or around some of the favorite neighborhoods for payday lenders. The worst district in the state is Corrine Brown's 3rd, which stretches unnaturally from Jacksonville down to Orlando and borders several military installations. Ms. Brown's district has roughly 100 payday lenders and 100 banks, making its ratio the 18th worst nationally and its per capita density easily above the national average. Kathy Castor's 11th district in Tampa, and host to McDill Air Force Base, also ranks poorly nationally and against other congressional districts in Florida.

Among Florida's upper house districts Tony Hill Sr.'s 1st district has the most payday lenders and the highest per capita density. Gary Siplin's 19th district is second worst in the state, but the highest commercial density of payday lenders is in Frederica Wilson's 9th district. The lower chamber district with worst payday lending situation is John Quinones 49th district. Geraldine Thompson's 39th district has few payday lenders, but the ratio of payday lenders (18) to banks (8) is worst in the state.

Miami-Dade County has the most payday lenders in Florida and smallish Calhoun, Taylor and Hamilton Counties have the highest densities statewide, but the worst overall ranking are earned by Orange and Seminole Counties which both have large numbers and high densities of payday lenders. These same areas house the ZIP codes with the heaviest payday lending concentrations. Sanford's 32773 ZIP code is worst overall, with twice the number of payday lenders as banks and a high per capita density. Orlando ZIP codes 32822 and 32808, rank third and fourth worst in the state. Outside the area, Tampa's 33604 ZIP code ranks second worst in the state. The highest per capita density is in Miami's 33131 ZIP code, though it is a rather commercial district.

Georgia

Payday lending is illegal in Georgia.[188]

Hawaii

Like many states on the mainland, the Hawaii legislature has adopted a special statute granting payday lenders the authority to make loans at interest rates

[188] GA. CODE ANN. § 7-3-14 (2007).

previously considered usurious. Traditionally, Hawaii law has limited interest rates on consumer loans to no more than 24 percent.[189] However, Hawaii's more recently enacted payday lending statute expresses its price limit in terms of "the face amount of a check" rather than with an interest rate.[190] Peculiarly located in the Hawaii Revised Statutes within rules on check cashing, rather than on loans, the statute authorizes payday loans of up to $600 under the label of a check deferred presentment.[191] Payday lenders can charge "an amount not to exceed fifteen per cent of the face amount of the check."[192] Under this limit, a typical $325 payday loan with an initial duration of 14 days carries an interest rate of 460%.

Geographically, Hawaii is a difficult state to place into the context of other states. Its physical isolation, cultural and economic distinctiveness, and its lack of any sort of government oversight of the payday lending industry make it unique in a number of ways. Nevertheless, we estimate from a survey of telephone directories, that Hawaii has 54 payday lenders, the majority of which appears to be within a few miles of one of Hawaii's military installations. As a whole though, Hawaii has few payday lenders per capita and per bank, giving it a rank of 35 out of 39 states with legalized payday lending.

It appears that Hawaii's congressional delegation is not well liked by Christian Political Organizations, who rank it dead last. Poole and Rosenthal find the Hawaii delegation's voting behavior actually average, ranking them 24th. Since Hawaii has just over a tenth of its population as either Mormon or Evangelical, these scores may seem in line, and in sum gives Hawaii an overall CPI ranking of 37th.

Hawaii's two congressional districts have a low ratio of payday lenders per bank and a low per capita count. Though most of the payday lenders in Hawaii are congregated around the military installations, many legislative boundaries cut through that region. As a result, districts in South Honolulu count figure prominently in the rankings. Carol Fukunaga's 11th district is the worst among the upper chamber legislative districts. Scott Saiki's 22nd district has the highest densities of payday lenders among the lower house districts.

Honolulu County has easily the most payday lenders, but Maui has higher densities of this industry. Not surprisingly, the military area ZIP codes, like Pearl City and Honolulu's 96819 ZIP are the worst in the state for payday lending. It remains to be seen what effect recent federal legislation on payday loans to military personnel will have upon Hawaii's payday lending industry.

Idaho

Idaho has no legal limit on usurious lending.[193] Moreover, in an apparent contradiction of the federal Truth in Lending Act, Idaho law explains that payday

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189 HAW. REV. STAT. §412:9-302(b)(2) (2007).
190 HAW. REV. STAT. § 480F-4(c) (2007).
191 *Id.*
192 *Id.*
193 IDAHO CODE § 28-46-412 (2005).

loan charges "shall not be deemed interest for any purpose of law."[194] Payday loans are limited in size to $1000.[195] The state does have a rule that purports to limit payday lenders from rolling over a payday loan more than three times.[196] However, the statute does not appear to have any reliable mechanism to enforce this provision.

Idaho is a classic "Mountain West" state in terms of its politics, but it lags behind its neighbors a bit in payday lending. Idaho's small congressional delegation gets sterling marks (94.58) from our three Christian Political Organizations, ranking them 2nd best. Poole and Rosenthal, rank the voting behavior of Idaho's delegation 12th most conservative and their large Mormon population boosts their Evangelical/Mormon ranking to 8th. Overall, Idaho stands only behind Mississippi and Alabama in our CPI. Given this solidly Conservative Christian nature of the politics in Idaho, it may be surprising that payday lending is legal at all in Idaho. Still with roughly 198 payday lenders, it ranks in the 14th in per capita activity and 15th in terms of location quotient, good for 17th overall in payday lending activity.

Idaho's two congressional districts split the state's payday lenders among them, and though they are above the national average on a per capita basis, the ratio of payday lenders to banks is just below average for both districts, a pattern that is common in rural states.

Idaho has some state legislative districts with surprisingly high densities of payday lenders. Among the state senate districts, David Langhorst's 16th district on the north side of Boise is worst, with nearly as many payday lenders as banks. Upper and Lower house districts next to Indian Reservations also have high numbers and densities of payday lenders. The Pocatello and Fort Hall Indian Reservation area 30th districts shared by Edgar J. Malepeai, Elaine Smith and Donna Boe rank second worst among their counterparts. Near the Nez Perce Reservation are districts held by State Senator Joe Stegner and State Representatives Liz Chavez and John Rusche is the third worst district for payday lending statewide.

Nez Perce County has the highest overall combination of payday lending activity in Idaho, but Bannock County follows closely behind. Both counties are home to significant Indian populations. At the ZIP code level, a similar demographic pattern appears. Idaho Falls, Pocatello and Blackfoot ZIP codes each rank in the top 5 for payday lending in the state, with the Idaho Falls 83404 ranking among the worst ZIP codes nationally. In the Boise area, Garden City and Mountain Home also have significant concentrations of payday lenders.

Illinois

The Illinois legislature has adopted a legislation authorizing payday loans of up to $1,000.[197] The statute explicitly allows payday lenders to make multiple

[194] *Id.* § 28-46-412(3).
[195] *Id.* § 28-46-413.
[196] *Id.* §§ 28-46-413(6), 28-46-412(5)(b).
[197] 815 ILL. COMP. STAT. § 122/2-5 (2007).

simultaneous loans to an individual consumer.[198] The statute does include a price limit of "$15.50 per $100 loaned."[199] Under this limit, a typical $325 loan with an initial duration of 14 days carries an interest rate of 404.15%.

Geographically, Illinois is a very populous state, with a distinct urban-rural divide. Both the payday lending and state of Christian politics in the state reflect that reality. Overall, we could find 762 payday lenders in Illinois, which is a large number, but about 250 to 300 fewer than we suspect actually operate in Illinois[200]. The problem in counting payday lenders in Illinois stems from recent changes in the legal parameters classifying payday lending as a business and the maneuvers payday lenders have taken to avoid new regulations. Technically, only 475 businesses of the 1,328 licensed lenders in Illinois were officially designated as payday lenders as of March, 2007. An additional 708 lenders on this list, that were NOT licensed as payday lenders nevertheless had the words such as "payday", "cash", "advance" or "title" in their business names. These too were were extracted from the list and counted as payday lenders. We believe that many of these businesses are simply extending the repayment term of the loan to 31 days, thereby avoiding licensure as a "payday lender", though they may remain in violation of the law because they may not have words such as "payday" as part of the business name. Once duplicate addresses were removed, we arrived at a total of 762 distinct addresses. Also unclear in Illinois is the fate of the now illegal, "limited purpose branch" payday lending operations, which effectively operated within the physical space of many retail stores (liquor stores, small markets) that were otherwise primarily engaged in a business other than lending.[201] Given this likely undercount, we can only confidently report that per capita, Illinois ranks 34th of 39 states. Its below average (.548) location quotient also places Illinois toward the bottom for payday lenders per bank (36th) and overall 31st. The power of conservative Christians in the state is largely confined to the rural "downstate" portion of Illinois, but as a whole, the state is religiously diverse and its CPI ranking of 39 out of 50 is probably a reflection of that. On all three indicators, Illinois ranks in among the lower tier of states.

The probable undercount of payday lenders in Illinois may make the Congressional districts in Illinois appear better off than they actually are. Nonetheless, the primary targets of payday lenders in Illinois remain the poor and non-white. Jesse L. Jackson's 2nd district on the largely black South Side of Chicago probably has the worst payday lending problem in the state and one of the few areas in the state that clearly ranks above average for the density of this business. Jerry Costello's 12th district also looks much worse than other districts in

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198 *Id.*

199 *Id.*

200 Other numbers released by the state of Illinois estimate the number of payday lenders anywhere from 955 to 1,301. See for example: http://www.illinois.gov/PressReleases/ShowPressRelease.cfm?SubjectID=3&RecNum=3996
Or
http://www.illinois.gov/PRessReleases/PressReleasesListShow.cfm?RecNum=475.

201 See the "meta" tab in IL.xls for greater detail on the Illinois problem. Several links there should prove good reference material for these issues.

Illinois, and this is perhaps not surprising given that it contains economically depressed East St. Louis and Scott Air Force Base.

The state senate district with the worst payday lending problem is Dave Syverson's 34th district around Rockford because it has high numbers and densities of payday lenders. James Meek's 15th district on the far south side of Chicago is second worst, and carries the highest ratio of payday lenders to banks. Among the lower house districts, David Miller's South Holland area district has consistently high numbers and densities of payday lenders and ties Aaron Schock's 92nd Peoria district for worst among all districts in Illinois.

Cook County appears to have 272 payday lenders, fifth among the nation's counties, down from an earlier count that put it well over 300 in 2002, suggesting perhaps that many may be operating illegally as limited purpose branches. Other counties appear have much greater densities of this industry. Winnebago County probably has the worst overall payday lending conditions in Illinois, though Peoria County's ranking is tied with it at number 1. Some of the more rural counties, such as Perry and Saline have very high per capita densities and per bank ratios.

Several ZIP codes on Chicago's south side rank highest for payday lending. Leading the way is Joliet's 60436 ZIP code, which has 7 payday lenders, no banks and a very high per capita density. Calumet City is second worst in Illinois. Both areas have large minority populations. Peoria's 61604 ZIP code and Loves Park also rank among the worst ZIP codes in the state for payday lending.

Indiana

The Indiana legislature has adopted legislation allowing payday lenders to obtain licenses authorizing payday loans of up to $550 excluding any finance charges. The statute requires lenders use commercially reasonable efforts to verify whether loan applicants have outstanding payday loans that would drive the borrowers total outstanding principal above the $550 limit.[202] Payday lenders are required to lend within a graduate price cap of 15% of the first $250 of loan principal, 13% on any amount greater than $250 and less than or equal to $400, and 10% on the amount of principal in excess of $400.[203] Under this graduated limit, a typical $325 loan with an initial duration of 14 days carries an interest rate of 379.04%.

The northern and southern halves of Indiana are considered by many to be quite distinct, with the Northern half being the more classically Midwestern in terms of economics, culture and politics; and the southern half of the state more akin to Kentucky or Missouri, states that might be best thought of as being in the Mid-South rather than the Midwest. Perhaps as a result of this split personality, Indiana ranks ahead of its Midewestern cousins in terms of Christian Power, but behind Midsouthern states on the same measures. Indiana's delegation ranks 20th most conservative according to both the Poole and Rosenthal measure and the CPO rankings. It is only slightly higher (17th) in terms of its Evangelical and Mormon population. Befitting the regional dichotomy of the state, Indiana ranks 26th for

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202 IN. CODE § 24-4.5-7-404 (2007).
203 IN. CODE § 24-4.5-7-201 (2007).

payday lending activity, and earns similar rankings for payday lenders, as well as per capita and per bank densities.

Only Julia Carson's 7th US Congressional district, centered on Indianapolis, ranks among the national leaders in payday lending activity. With 135 payday lenders and 188 banks, it has both a fairly high ratio, and a high per capita density. This district also has the largest percentage minority and the highest poverty levels in the state. Among the state legislative districts, the Indianapolis region again stands out for payday lending. Glenn Howard's 33rd district is worst among the state senate districts. Michael Young and Jean Breaux's districts follow closely behind. Overlapping these districts are state the assembly districts of Carolene May's, Lawrence Buell and Gregory Porter, which rank worst for payday lending among their counterparts.

Marion County has the most payday lenders, which is not surprising, but unlike many large urban counties, it also has a very high per capita density and an unfavorable payday lender to bank ratio, making it the worst county in all of Indiana. Clark and Vanderburgh Counties rank 2nd and 3rd respectively, but Wells County with few payday lenders ranks highest for overall density of the industry. At the ZIP code level, the majority of the neighborhoods ranked in the top ten are around Indianapolis, the worst of those in neighborhoods on the west side, designated with ZIP codes 46224 and 46254. Other great densities are on the east side as well, but the stores themselves appear to be split among several ZIP codes. Clarksville, across the Ohio River from Louisville has perhaps the second worst payday lending activity statewide.

Iowa

The Iowa legislature has adopted legislation authorizing payday lending under the somewhat misleading label of "delayed deposit services."[204] While statute requires payday lenders disclose the Annual Percentage Rate of their loans,[205] the legislature itself chose to describe the price without reference to an interest rate. Instead, the Iowa code states that "A licensee shall not charge a fee in excess of fifteen dollars on the first one hundred dollars on the face amount of a check or more than ten dollars on subsequent one hundred dollar increments on the face amount of the check for services provided by the licensee, or pro rata for any portion of one hundred dollars face value."[206] Under this limit, a typical $325 loan with an initial duration of 14 days carries an interest rate of 334.28%.

Iowa is solidly Midwestern in terms of both its payday lending activity and the power of its Conservative Christians. There are some 274 payday lenders in Iowa, which for its population is very close to the national average among those states permitting payday lending, but given the number of banks in the state, its location quotient (.57) is 35th lowest. Overall, Iowa ranks 34th in payday lending activity. Iowa is not known for its liberal politics, but it still ranks 30th on our Christian

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[204] IOWA CODE § 533D.9(2)(b) (2007).

[205] This requirement is, of course, redundant having been federal law under the Truth in Lending Act since 1968. *See* 15 U.S.C. § 1601 *et seq.* (2007).

[206] IOWA CODE § 533D.9(1) (2007).

Power Index. A largely moderate state delegation ranks 23rd for the Christian Political Organizations and 32nd on Poole and Rosenthal's voting roll call index. These scores are quite in line with Iowa's 30th place ranking for Evangelicals and Mormons per 1,000 population.

Iowa has no congressional district among the top 150 nationally for payday lending. David Loebsack's 2nd district ranks slightly worse than Bruce Braley's 1st district among those in Iowa. State Senator Michael Gronstal's 50th district in Council Bluffs has 19 payday lenders and only 15 banks, making it the worst in all three categories measured. The local counterparts in the State Assembly led by Paul Shomshor and Doug Struyk, which are worst and second worst in the state for payday lending respectively have similar per capita and per bank densities of payday lenders. One might guess that there is a border effect because Council Bluff's proximity to Omaha, Nebraska, but there does not appear to be any significant difference in payday lending on either side of this border. Only districts on the south side of Des Moines approach the prevalence of payday lending activity seen in Council Bluffs.

Some of Iowa's counties have surprisingly high densities of payday lending. Pottawattamie County ranks worst among all Iowa's counties, mostly because it has both a high per capita density and a high ratio of payday lenders to banks. Scott, Wapello and Union counties have similar density numbers and rank 2nd through 4th respectively statewide. Council Bluffs clearly has the biggest payday lending problem in Iowa with twice the payday lenders (18) as banks and high per capita density. Because it's a border town, one might suspect a lower density of payday lenders in nearby Omaha, but this is not the case. Davenport, another border town also has a high density and number of payday lenders in ZIP 52807, ranking third worst statewide. Sioux City's 51103 ZIP code ranks second worst, mostly because it has a high per capita and commercial densities.

Kansas

The Kansas legislature has passed a special exception to the Kansas Consumer Credit Code allowing payday lenders to charge prices over ten times the traditional Kansas limit. The longstanding Kansas Consumer Credit Code includes a limit establishing interest rates over 36% per annum on loans of $860 or less as usurious.[207] However, Kansas' newer payday loan exception expresses the price limit in relation to the proportion of a "cash advance," rather than as an interest rate. Under the payday lending provision, creditors making loans of $500 or less can charge an "amount not to exceed 15% of the amount of the cash advance."[208] Under this limit, a typical $325 loan with an initial duration of 14 days carries an interest rate of 391.07%.

Kansas has a high ranking for conservative politics and also has a significant amount of payday lending activity statewide. About 388 payday lenders operate in Kansas, which is about the middle for total numbers, but it ranks 16th on a per capita basis. Because Kansas has hundreds of small town banks, this lowers is

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[207] KAN. STAT. ANN. § 16a-2-401 (2007).
[208] KAN. STAT. ANN. § 16a-2-404 (2007).

Location Quotient score below the national average, earning it a rank of 24th among the 39 states permitting payday lending. Overall, Kansas ranks 20th for payday lending which is nine ranks different than its Christian Power ranking (11th) Politics in Kansas has been historically complex and the disparity between the Christian Political Power ranking (8th) for the Kansas delegation and Poole and Rosenthal's measure of their conservative voting tendencies (18th) is perhaps reflective of the tension between competing forces on the right. Kansas does not have a high percentage of Evangelical Christians or Mormons (16.4%: 18th most) but the relatively conservative nature of it Mainline denominations, among them conservative Methodists, may account in part for the popularity of conservative candidates in Kansas.

Kansas only has four congressional districts, and all of them have above average densities of payday lenders per capita. Only Todd Tiahrt's district though has a high ratio of payday lenders to banks, which makes it also the only district among the worst 100 in the country (81st). Among the legislative districts in Kansas's upper chamber, Mike Petersen's 28th district is worst overall, mostly because it has 7 more payday lenders than banks. Donald Bett's 29th district, has the highest per capita density of payday lenders payday lenders and ranks second worst in the state. Both districts retail districts serve McConnell Air Force Base. Roger Reitz' 22nd district, home to Fort Riley's First Infantry division, has the highest total number of payday lenders in the state and ranks 3rd worst. Among the lower chamber districts, Jim Ward's 88th district bordering McConnell Air Force Base is worst statewide. Janice Paul's 102nd district and Deena Horst's 69th district also have more payday lenders than banks and high per capita densities and rank 2nd and 3rd respectively among all Kansas' districts.

Geary County stands out among Kansas' counties in terms of the density of payday lending per capita, even ranking among the nation's worst 100; and because it has a high ratio of payday lenders to banks, it ranks worst overall in Kansas. Ford and Reno Counties rank 2nd and 3rd worst. Clearly the worst ZIP code in Kansas for payday lending is Junction City, which is home to Fort Riley and more than ten payday lenders. Leavenworth, the other military ZIP code of note in the state is nearly as bad and ranks 5th worst in Kansas. Wellington is second worst, with a high per capita and commercial density. Nearby Hutchinson (67501) ranks third worst, with 11 payday lenders and a high per capita density.

Kentucky

The Kentucky legislature has passed a special exception to the Kansas Financial Services Code allowing payday lenders to charge prices over ten times the traditional Kentucky limit. The longstanding Kentucky usury limit prohibited interest rates over 3% per month, or 36% per annum, on loans of $1000 or less.[209] However, Kentucky's newer payday loan exception expresses the price limit as a "service fee," rather than as an interest rate. Kentucky's "Deferred Deposit Service Business" legislation payday lenders "shall not charge a service fee in excess of fifteen dollars ($15) per one hundred dollars ($100) on the face amount of the

[209] KY. REV. STAT. § 286.4-530(1) (2007).

deferred deposit check." [210] Under this limit, a typical $325 loan with an initial duration of 14 days carries an interest rate of 460.06%.

With both Appalachian and Southern social, cultural and economic characteristics, several significant urban areas, and two large military bases, Kentucky presents an ideal market for payday lenders. Kentucky has about 788 payday lenders, which ranks it 13th among the states, even though it is the 25th most populous state. Therefore, it is hardly surprising that Kentucky ranks among the top ten states in payday lenders per capita (8th) and 11th in the ratio of payday lenders to banks. The impressive political power of Conservative Christians in Kentucky suggests that usury would be less pervasive there. With an overall ranking of 4th, Kentucky is solid across the board in our index of Christian Political power. It ranks 7th in density of Evangelicals and Mormons, its state delegation to congress earned a score of 87.9, high enough for fifth best among the states; and its roll call voting record scored high as well, earning them a rank of 11th in the Poole and Rosenthal data.

Only one of Kentucky's congressional districts (Geoff Davis' 4th) is outside the 100 worst districts for payday lending nationally and the others are relatively consistent in their numbers and densities of payday lenders. Of course, Ed Whitfield's 1st district, home to Fort Campbell, leads the pack with 142 payday lenders, and a high retail and human density. Hal Rogers' 5th district in deepest Appalachia follows closely behind with 135 payday lenders, and similarly high density figures. State Senator Perry Clark's 37th district on the south side of Louisville has 38 payday lenders and only 31 banks, the highest such ratio in the state and the highest per capita density statewide. Senator Tori's neighboring district is second worst. Both districts serve military personnel from Fort Knox. Joey Pendleton's 3rd district is 3rd worst statewide and is home to Fort Campbell. Dennis Horlander's 40th district and Tim Moore's 26th district, which flank Fort Knox along U.S. Route 60 rank first and second worst among lower house districts. Horlander's district has 23 payday lenders and only 13 banks, and a very high per capita density, which makes it one of the 10 worst among all lower house districts nationally.

Kentucky has several counties with unusually high concentrations of payday lending. Jefferson County has the most (130), but many other counties have higher densities. Mason County has the highest per capita density at over 1 per 5,000 residents, making it one of the highest per capita densities in the nation. Christian and Taylor counties tie for the highest ratio of banks to payday lenders. However the county with the combined worst payday lending concentration is Hardin County. At the ZIP code level, several of Louisville's ZIP codes rank worst statewide, especially 40219 which has one of the highest numbers of payday lenders (24) nationally. Louisville's 40216 ZIP code is third worst in the state. Bowling Green's 42103 ZIP code ranks second worst, with more payday lenders than banks and a high per capita density. ZIP codes adjacent to Fort Knox (40160 -6th worst) and Fort Campbell (Hopkinsville -8th worst and Oak Grove -5th worst) also remain saturated with payday lenders.

[210] KY. REV. STAT. § 286.9-100(2) (2007).

Louisiana

Louisiana has adopted legislation authorizing payday lending. The Louisiana Revised Statutes establish a price limit on payday loans "not to exceed sixteen and seventy-five one hundredths percent of the face amount of the check issued … provided however that such fee or interest does not exceed forty-five dollars, regardless of the name or type of charge." [211] Louisiana law attempts to limit the interest rate on payday loans that remain outstanding after an initial duration, by capping subsequent interest at 36% for the first year, and 18% thereafter. [212] It is unclear whether the statute can actually prevent lenders from requiring borrowers to refinance a payday loan's arrears by opening a subsequent loan that pays off the first. Louisiana law also explicitly authorizes payday loan contracts to award attorney's fees to payday lenders in the event of default. Under the Louisiana payday loan usury limit, a typical $325.00 loan of 14 days carries an interest rate of 360.99%.

Louisiana is another of those states with a split personality. The northern half of the state, dominated by rural and small-city, Evangelical Christians is quite different in multiple ways from the southern reaches of the state, which is heavily Catholic and much more urban. Still it is a state of the Deep South, where payday lenders are most entrenched and have been for more than a decade. Louisiana ranks 6th worst for payday lending, with its 977 payday lenders. This more than 200 beyond what are licensed in Illinois, despite the fact that Illinois has roughly three times the population of Louisiana. The profusion of payday lenders in Louisiana ranks it 7th highest on a per capita and per bank scale.

Louisiana ranks 14th in the density of Evangelicals and Mormons, a figure that would no doubt rise higher if it were not for the large Catholic population in the southern reaches of the state. Though Louisiana has a larger percentage of Catholics than many states, they have a reputation for being somewhat more politically conservative than their Catholic counterparts in New England, the Industrial Midwest or Southwest, and perhaps as a result, Louisiana's congressional delegation is as a whole votes pretty much in line with other Southern states that have no large Catholic constituency. Louisiana's congressional delegates voted 6th most conservatively according to our rendering of Poole and Rosenthal's data. This record apparently was not enough to impress the Christian Political organization we surveyed, who ranked the delegation 24th best.

Three of Louisiana's congressional districts rank among the 25 worst nationally for payday lending. Rodney Alexander's 5th district has 185 payday lenders and 277 banks. This makes it one of the worst nationally on a per capita basis. Jim McCrery's Shreveport district and Charlie Melancon's district in South Louisiana follow very closely in both numbers and densities of payday lenders.

Senator Max Malone's Bossier City area 37th district, home to Barksdale Air Force Base and several casinos has 50 payday lenders and 40 banks, making it worst among the state's senate districts and compared to other senate districts across the nation, among the 25 worst. State Senator Sharon Weston Broome's

[211] LA. REV. STAT. § 9:3578.4 (2007).
[212] *Id.*

15^{th} district on the north side of Baton Rouge is second worst, and has the highest ratio of payday lenders (39) to banks (24). Among the lower house districts, Baton Rouge area districts held by Michael Jackson and Hunter Green rank 2^{nd} and 3^{rd} worst statewide, but Bo Curtis' 26^{th} district in Alexandria is worst overall with a high number (27) of payday lenders and high per capita and retail densities. Compared against other lower house districts nationally, the 26^{th} is among the 15 worst. Kay Kellogg Katz's 16^{th} district, though has the nation's highest per capita densities, with 28 payday lenders for just over 40,000 residents.

Three Louisiana Parishes rank among the top twenty worst counties in the nation for payday lending. East Baton Rouge Parish has the most payday lenders with 103, but the highest commercial density of is probably Vernon Parish, which has 17 payday lenders but only 10 banks, a ratio that ranks among the top 20 nationally. The highest per capita density is in St. Mary Parish, which is also the worst overall in Louisiana and 12^{th} worst nationally. Other parishes that rank in the top 25 nationally for payday lending include Tangipahoa (15^{th}) and Ascension (17^{th}) Parishes.

Florida Boulevard in Baton Rouge may have one of the highest densities of payday lenders in the nation, and for that reason ZIP codes 70806 and 70815 rank not only 1^{st} and 2^{nd} worst respectively in Louisiana, but also both among the worst 15 ZIP codes nationally for payday lending. Military towns such as Leesville (3^{rd}) and Bossier City (71112-7^{th} worst) are also clearly targeted by the payday lending industry.

Maine

Payday lending is illegal in Main.[213]

Maryland

Payday lending is illegal in Maryland.[214]

Massachusetts

Payday lending is illegal in Massachusetts.[215]

Michigan

[213] ME. REV. STAT. ANN. tit. 9-A, §2-401(2), (7)(C) (2007).
[214] MD. CODE ANN., COM. LAW § 12-306(a)(2)(i) (2007).
[215] 209 MASS. CODE REGS. 26.01 (2007).

Payday lending in Michigan is permitted by a special usury statute authorizing payday loans. Although payday loan fees are considered interest under federal law and any traditional commercial definition of interest, Michigan's payday lending statute insists that a payday loan charge is a "service fee" and therefore "is not interest."[216] Under the law, a payday lender can charge "Fifteen percent of the first $100.00 of the deferred presentment service transaction; Fourteen percent of the second $100.00 of the deferred presentment service transaction; Thirteen percent of the third $100.00 of the deferred presentment service transaction; Twelve percent of the fourth $100.00 of the deferred presentment service transaction…," and so on.[217] On a typical payday loan of $325.00 with an initial duration of two weeks, the maximum permitted charge caries an Annual Percentage Rate of 360.99%.

Michigan is one of the few states frequently tied to the "Yankee" American subculture that permits payday lending, but may be better thought of as solidly Midwestern. With nearly 10 million people, it is not surprising that it has nearly 800 payday lenders, ranking it 32nd among the states. Compared to the density of banks, Michigan ranks 28th, which is where it ranks for overall payday lending. Michigan's ranking on our Christian Power Index is 34th, and its rankings are consistent with much of the rest of the Industrial Midwest, ranking 31st, 30th and 35th respectively on the Poole and Rosenthal, Christian Political Organization and Evangelical/Mormon ranking system we developed.

Only a couple of Michigan's US Congressional districts have remarkable densities of payday lenders. Sander Levin's 12th district, just North of Detroit's inner city has both an above average ratio of payday lenders (90) to banks (200); and an above average per capita density. The other district with somewhat high numbers is Bart Stupak's 1st district based in Flint. State Senate districts on the southern and western edges of Detroit have the highest concentration of payday lending activity. Raymond Basham's 8th district is worst, followed by Glenn Anderson's 6th district. The lower house district with the highest concentration of payday lending activity is Bauer's 68th Lansing-area district, has per capita and commercial densities of this industry that are unusually high for Michigan. Accavitti Jr.'s 42nd district is just north of Detroit is second worst.

Wayne County has 158 payday lenders, which is easily the most in Michigan, but Cheboygan County easily has the worst overall conditions, with as many banks as payday lenders and per capita density over 3 per 10,000 persons. The worst ZIP code in Michigan for payday lending is 48190 in Lansing, which has triple the number of payday lenders as banks. Cadillac is second worst with a very high concentration along North Mitchell Avenue. Waterford's 48328 ZIP code is third worst in the state for payday lending.

Minnesota

The Minnesota legislature has passed a special exception to Minnesota's traditional usury limit allowing payday lenders to charge prices over ten times the

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216 MICH. COMP. LAWS § 487.2153 (2007).
217 *Id.*

traditional Minnesota cap. Traditional Minnesota law limits interest rates on consumer loans to the greater of an annual percentage rate not exceeding 21.75 percent or the total of 33 percent per year on unpaid balances not exceeding $750 plus 19 percent per year on balances exceeding $750.[218] However, Minnesota's newer payday loan exception expresses a different price limit "in lieu of the interest, finance charges, or fees in any other law." [219] For typical payday loans, lenders may charge "six percent of the loan proceeds with a minimum of $17.50 plus a $5 administrative fee." [220] Under this limit, a typical $325 loan with an initial duration of 14 days carries an interest rate of 196.54%.

Operating under this regulatory framework, payday lending has become less common in Minnesota than in many otherwise comparable states. We estimate that only about 62 payday lenders are in business in state that is largely middle class and white. This positions Minnesota last both in per capita and per bank densities of this industry among the states that permit payday lending. Minnesota has a reputation for being a very liberal state, full of progressive descendents of Scandinavian immigrants, and while this may be partly true since Minnesota ranks 33rd among the states for Evangelical Christians and Mormons, the voting record of its delegation is quite conservative (9th) according to Poole and Rosenthal's statistics. This same delegation however ranks 29th according to our survey of Christian Political Organizations, which is one of the larger disparities between these two measures.

All of Minnesota's Congressional Districts count among the best in the country for payday lending. The highest densities among these districts, though low by national standards, is Keith Ellison's 5th district. The same goes for Minnesota's state legislative districts, but in the interest of consistency, it is worth noting that Don Betzold's 51st State Senate district and Assembly Member Clark's 61-A district rank lowest among their counterparts in Minnesota, though no district appears to have more than 5 payday lenders.

None of Minnesota's counties have any number or density of payday lending activity that would compare unfavorably with any other state in our survey, but the fact that a county like Clearwater still has a payday lender, though it has less than 8,500 residents and only 4 banks is unsettling. The same can be said for the town of Bagley, which has only two banks, but a payday lender for the roughly 4,000 citizens living there. Perhaps the nearby Red Lake and White Earth Indian reservations is responsible for attracting payday lenders into these areas. Non-Indian small towns in the North County have no payday lenders or smaller per capita densities.

Mississippi

Mississippi findings are presented as case study within the main Article.

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[218] MINN. STAT. § 47.59 (2007).
[219] MINN. STAT. § 47.60(b)(4) (2007).
[220] *Id.*

Missouri

Missouri, situated at the geographic center and at the center of great the antebellum controversy of its political status, has always suffered from a bit of an identity crisis. Is Missouri, with its rolling green Ozarks and famous country music Mecca, a Southern State; or does its vast acres of field crops and big city credentials make it more a state of the Industrial Midwest? Nevertheless, of those states that place some limit on payday loan prices, Missouri's cap is by far the most creditor friendly in the nation. The Show Me state allows licensed lenders to originate payday loans with interest and fees amounting to seventy-five percent of the initial amount of any single loan.[221] A typical payday loan $325.00 loan that grows 75% over an initial duration of fourteen days carries an annual percentage rate of 1955.36%.

With this permissive price cap, Missouri has become home to at least 1,278 payday lenders—far more than one would expect from a state that has only about 5.5 million people, and an otherwise very average poverty and demographic profile. So many payday lenders are in Missouri that it ranks 5th overall, 6th most for number of payday lenders, 5th per capita and 10th on a per bank ranking, with the latter figure greatly improved by the lower ratio of payday lenders to banks in the northern part of the state. As we have witnessed elsewhere in the South, Missouri has solid Christian credentials (13th best) to bring to bear on usury law within its borders, but has not. About a quarter of its population is Evangelical, ranking it 12th in this category, and its congressional delegation ranks in the mid-teens among other states on our measures of social and religious conservatism.

Missouri's congressional districts vary greatly in the prevalence of payday lending. In the Southeastern quadrant of the state, Jo Ann Emerson's 8th district ranks 9th worst nationally for payday lending. The 8th district has 265 payday lenders, 5th most nationally and 3rd most on a per capita basis. Other districts also rank poorly on a national basis, including Cleaver's 5th district (20th nationally) and Blunt's 7th district (29th nationally). On the other hand, Todd Akin's suburban St. Louis district, has only 50 payday lenders, which is low on both a per capita and a per bank measure.

The same widely varying pattern can be found in the local legislative districts. For example, the worst district, Rob Mayer's 25th district, down in the southeastern corner of the state has 93 payday lenders, which is more than can be found in all of Minnesota. Yet there are only 81 banks in the district, for its 170,000 people, giving it very high per capita and commercial densities. Jason Crowell's adjacent district has similar densities, and ranks second worst in the state. Charles Wheeler's gerrymandered Kansas City area 10th district is 3rd worst, but probably gets some traffic from Kansas residents who cross the border for loans. Much smaller districts are found in Missouri's lower house, but some of them still have large numbers of payday lenders. Tom Todd's 163rd district is worst among its counterparts statewide and ranks among the worst in the nation as well. Todd's district may get a small number of cross-border customers from Arkansas. Craig Bland's 43rd district on the south side of Kansas City is second worst, with unusually high densities of payday lending activity.

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[221] MO. REV. STAT §§ 408.505(3), 408.100 (2007).

Missouri has three counties among the ten worst nationally for payday lending. Stoddard County has nearly 1 payday lender for every 850 people in the state, the 3rd highest density nationally, and it ranks 8th worst nationally for overall payday lending activity. St. Francis County is 10th worst nationally, but Dunklin County has the worst overall ranking nationally and in Missouri, with an astonishing 24 payday lenders to its 13 banks for less than 35,000 people. The ZIP codes with the highest concentration of payday lenders are in the southeast corner of the state. Sikeston appears to be worst with 22 payday lenders, nearly enough so that there is one for every thousand persons. Nearby Dexter is nearly as bad, ranking 3rd worst in the state. Kansas City's 64124 ZIP code ranks second worst with 10 payday lenders and only a single bank. Tiny St. Robert, adjacent to Fort Leonard Wood is 4th worst in the state.

Montana

Payday lending in Montana is permitted by a special usury statute authorizing payday loans of up to $300. The Montana "Deferred Deposit Loan Act" asserts that payday lenders "may not charge or receive, directly or indirectly, any interest," but nonetheless authorizes lenders to charge a "fee" not exceeding 25 percent of the principal of the loan. [222] On a payday loan of $300.00 with an initial duration of two weeks, this "fee" amounts to an interest rate of 651.79%. Excluding states with no usury limit whatsoever, Montana's price cap is one of the highest limits in the nation, second only to Missouri.

Geographically, Montana is a big state with a small population and just over 100 payday lenders statewide. This is just a few more than you would expect given its population and just a few less than the national average in terms of its ratio of payday lenders to banks. Perhaps because Montana is on the fringes of the Mormon hearth, and has a bit more of a libertarian orientation than other Mountain West states, it has earned a lower Christian Power Index ranking (19th) than its neighbors to the south. Though its small delegation votes conservatively according to Poole and Rosenthal (0.18, rank 14th), its score of 70 from Christian Political Organizations makes it 18th most conservative, which is closely in line with its 22nd ranking for Evangelicals and Mormons per 1,000 persons.

Montana has only a single US congressional district, and it is about average nationally. Among the upper house districts, Lynda Moss' 26th district in Billings has 9 payday lenders, which though small by national standards is very high for the number of banks (8) and the small population in her district. Carolyn Squires' Missoula area district is second worst. Jon Sonju's 7th district near Kalispell may have the highest concentration of payday lending nationally. Because address matching is a little more precarious in rural areas such as this and several of these districts are as small as city council districts, there may some reason to temper this ranking. Nevertheless, it appears that there are at least 9 payday lenders in this district, and for the roughly 9,000 people live there, and the two banks, these are incredibly high density. Nearly as intense is the payday lending activity in Mary Caferro's 21st district in Helena. An additional concentration can be found just

[222] MONT. CODE ANN. § 31-1-722(2) (2007).

west of Malmstrom Air Force Base in Tim Callahan's 21st district. Most of areas in Montana with surprisingly high payday lending concentrations are near of one of the states Indian Reservations. The high density knot of payday lending around Kalispell may in part be serving the residents of both the Flathead and Blackfeet Reservations. The Billings area density is just miles from the Crow Reservation, and not too far from the Northern Cheyenne Reservation.

Yellowstone County appears to have the most payday lenders and the highest per capita concentration of payday lenders in the state, and it even ranks in the top 10 percent nationally, but Silver Bow County has a higher commercial density, with 12 payday lenders to its 10 banks. Butte's 59701 ZIP code is worst in the state, but Great Falls' 59405 ZIP code, adjacent to Malmstrom Air Force Base is hardly any better off, ranking 2nd worst in Montana. Billing's 59102 ZIP code, not far from the large Crow Reservation has the most payday lenders in Montana and ranks 3rd worst overall.

Nebraska

The Nebraska legislature has passed a special exception to Nebraska's traditional usury limit allowing payday lenders to charge prices over ten times the traditional Nebraska cap. Traditional Nebraska law limited interest rates on consumer loans to whatever amount agreed upon by the parties "but not exceeding 16 percent per annum on the unpaid principal balance." [223] However, Nebraska's somewhat misleadingly titled "Delayed Deposit Services Act" expresses a different price limit not as an interest rate, but as a "fee" which cannot exceed "fifteen dollars per one hundred dollars or pro rata for any part thereof on the face amount of a check for services provided by licensee."[224] In a typical 14 day payday loan of $325, this "fee" carries an interest rate of 460.06%.

Geographically, Nebraska is similar to other Great Plains states that have a low number of classical Evangelical Christians (15.5%), but nonetheless have a large percent of relatively conservative mainline Christian who vote for candidates on the right of the political spectrum. The panel of Christian Political Organizations rank Nebraska's delegation 3rd most favorably, which is far higher than their overall voting record would suggest they deserve according to the Poole and Rosenthal figures, which suggest the Nebraska Congressional delegation is slightly negative or liberal by national standards (-0.06). According to Poole and Rosenthal, Nebraska has the distinction of being 28th most conservative state. There are just under 200 payday lenders in Nebraska, which for the number of people is about average, but given the nearly 1,000 banks in the state, it ranks 30th on our modified location quotient calculation.

Nebraska has three congressional districts and only Lee Terry's 2nd district is above average in terms of its ratio of banks to payday lenders or per capita density of payday lenders. Nebraska is the only state with a unicameral legislature and therefore cannot be easily compared to other states. Much of the payday lending activity in Nebraska is around Omaha. Mike Friend's 10th and Steve Lathrop's 12th

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[223] NEB. REV. STAT. § 45-101.03 (2007).
[224] NEB. REV. STAT. § 45-918 (2007).

districts tie for worst in Nebraska, but Abbie Cornett's 45th district, home to Offut Air Force Base follows closely behind with significant densities of payday lenders per person and per bank.

Douglas County has 10 more payday lenders (72) than all of Minnesota, but other counties have worse densities. Sarpy County has the highest commercial density with 22 payday lenders and 34 banks. Hall County has the highest per capita density of payday lending and the worst overall ranking in the state. Lincoln's 68503 and 68504 ZIP codes rank worst and 4th worst in the state due to the high per capita and commercial densities of payday lenders. Omaha and Bellevue have several ZIP codes with similarly high numbers and densities of payday lenders, perhaps in part due to the presence of Offutt Air Force Base.

Nevada

Nevada is perhaps the state with the strongest libertarian credentials, and the laissez-faire attitude is visible beyond just the Nevadan's tolerance of prostitution and embrace of gambling. Along with a small handful of other states, Nevada has no limit on the price lenders may charge borrowers.[225] Given this environment, it is perhaps not surprising that Payday lending flourishes in Nevada. The state has the highest per capita density of payday lenders (2.24/10,000) among the western states, and the 6th highest density nationally. Even higher is the ratio of payday lenders (420) to banks (526), which is higher than all but three states. Overall, we rank Nevada 8th worst for payday lending, but if we were to average out its ranking on total number of payday lenders, which is reduced by its small population, Nevada would rank 4th worst nationally.

At least Nevada can be credited for being consistent in its politics. Nevada's legislators, not generally known to allow the specifics of Christian theology to enter into legislative principles have not curried the favor of national Christian Political Organizations, who gave the delegation an average score of 60, good for a 26th ranking. Poole and Rosenthal measured the delegation's voting behavior and we calculated that to be 37th most conservative, and this may not be surprising given that only about 10% of Nevada's population could be considered Evangelical or Mormon.

Each of Nevada's three congressional districts rank among the worst 50 for payday lending, and the Las Vegas area congressional districts rank particularly high. Shelley Berkley's Las Vegas district is counts among the handful nationally with an inverted payday lender to bank ratio, the 13th worst such ratio nationally. Similarly poor figures were calculated for all districts on a payday lender per capita. Three upper house districts (Schneider 11th; Titus/Care 7th; and Coffin's 10th), all in the Las Vegas area tied for most payday lending in the state, all of which are in close proximity to the gambling districts and Nellis Air Force Base. The lower house districts in the same region of Las Vegas also count among the worst in the state. Kathy McClain's 15th district has the most activity, followed by Tick Sergerblom's 9th and Peggy Pierce's 3rd districts.

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225 NEV. REV. STAT. §§ 604A.010 – 604A.940 (2007).

Clark County has an amazing 303 payday lenders, which is more than many states have in all their boundaries and is fourth most of any county nationally, still it ranks lower than other counties when densities are considered. Lyon and Lander Counties appear to have more payday lenders than banks for example. Carson City County has the overall worst ranking, with relatively high numbers and high per capita and commercial densities of payday lenders. Almost all of the ZIP codes with extraordinarily high numbers or densities of payday lenders are in Las Vegas, the worst among them 89101, 89107 and 89121.

New Hampshire

New Hampshire is different from other states in New England, a point of pride for many of its citizens. Those familiar with New Hampshire's history and political climate will not find it surprising that it is the only state in New England to fully legalize payday lending. New Hampshire joins a small handful of states in refusing to place any price limit on usurious lending.[226] This fact hasn't proven much of a draw to payday lenders however, who seem to avoid states with few minorities or poor people. Only 51 payday lenders could be found statewide, which is the second fewest for any state and gives it the second fewest both per capita and per bank of any state with legalized payday lending. It would appear that the demographic characteristics and local, Yankee attitudes towards debt are as responsible for the paucity of payday lending in New Hampshire.

Certainly the Evangelicals do not affect New Hampshire politics to any great degree. Only about 3 percent of the population is Evangelical Christian, and this may be reflected in the voting behavior of New Hampshire's four person delegation, which ranked most liberal as a group according to Poole and Rosenthal's roll call data. Ironically though, the three Christian Political Organizations find New Hampshire's delegation quite in line with their political positions, ranking this New England state in the top 10 nationally. By combining these various measures of Christian Political power, we rank New Hampshire 35th out of 50. Since New Hampshire is the only New England state to get a split vote, it could be argued that New Hampshire's disdain for New England style government, combined with its solidly Yankee-Puritanical religious orientation is a model for compromise between the Christian Right and the progressive minded.

Both of New Hampshire's congressional districts have comparatively few and low densities of payday lending on a national basis. The few payday lenders that do exist in New Hampshire seem to be concentrated on the border, though the concentrations are far less than we see in the Deep South. Most of the activity appears to be focused on attracting customers from Lawrence, Massachusetts where payday lending is illegal, but not customers from Maine or Vermont, where payday lending is also illegal. Similar concentrations of liquor, cigarette and fireworks stores can be found at New Hampshire's borders, all hoping to cash in on New Hampshire's peculiar legal environment. As a result the upper house districts with largest concentrations of payday lending activity are Michael Downing's 22nd district just across the border from Lawrence and Betsi DeVries' 18th district south

[226] N.H. REV. STAT. ANN. § 399-A:12(1) (2007).

of Manchester. Another border district led by Joseph Foster also has a higher concentration of payday lenders. New Hampshire's lower house districts can be very small, and therefore only a few districts have more than a few payday lenders. These districts also can have multiple representatives, so it is best to simply point out that the Nashua area districts have the highest densities.

None of New Hampshire's counties are above average on any of the measures of payday lending nationally, but it should be noted that Hillsborough County easily outranks the others in all statistical categories for payday lending. Rockingham County is second worst. At the ZIP code level, several of the border towns rank worst for payday lending, including Nashua and Plaistow, but with no ZIP code having more than 5 payday lenders, it is hard to argue that much unmet demand for payday loans is being generated by borrowers from Massachusetts or Vermont where payday lending is illegal. However, in contrast to relatively sparse payday loan border locations, cross border "beer barns" are common in New Hampshire, drawing in patrons from nearby states with higher taxes on alcohol.

New Jersey

Payday lending is illegal in New Jersey.[227]

New Mexico

The New Mexico legislature has passed a special exception to the state's traditional usury limit allowing payday lenders to charge prices over ten times the cap included in New Mexico's Small Loan Act of 1955. In prior generations, New Mexico law limited interest rates on small loans of sizes comparable to today's payday loans to interest rates of no more than 3% per month—or 36% annually.[228] However, New Mexico's current statute expresses its price limit not as an interest rate but as an "administrative fee" which cannot exceed "fifteen dollars fifty cents ($15.50) per one hundred dollars ($100) of principal."[229] In a typical 14 day payday loan of $325, this "administrative fee" carries an interest rate of 404.15%.

New Mexico ranks high on most measures of poverty, and with a large minority population, it would figure to be a favorite target for payday lenders; and it is. There are 280 payday lenders licensed in New Mexico, which is far more than one would expect given its smallish population. With less than two million people, New Mexico has the 12th highest per capita density, nationally and its ratio of payday lenders to banks is 9th highest. The composite rank for New Mexico is 13th worst nationally. New Mexico has a large Catholic population, which keeps the percentage of Evangelicals and Mormons at around 15%. The state's large Catholic population may also help explain the centrist social conservative rankings

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[227] N.J. STAT. ANN § 399-A:12 (2007).
[228] *See* BARBARA CURRAN, AMERICAN BAR ASSOCIATION, TRENDS IN CONSUMER CREDIT LEGISLATION (1965).
[229] N.M. STAT. § 58-15-33 (2007).

given to its Congressional delegation. The state's delegation ranking is 27th on the Poole and Rosenthal measure and 31st on the scorecards provided by the Christian Political Organizations.

Both of New Mexico's congressional districts are above the national average for payday lending activity, both on a per capita basis and as a ratio of payday lenders to banks. Albuquerque area state senate districts have the highest densities of payday lending activity in the state, and some of the highest densities nationally. Shannon Robinson's 17th district, which borders the large Sandia Military Region appears to be the worst among them, with 13 payday lenders and only 3 banks. Diane Snyder's 15th district and Bernadette Sanchez's 26th district also have intense payday lending activity, and tie for second in the state with John Pinto's Gallup-area 3rd district. In the lower house, Antonio Maesta's 16th district appears to have the greatest concentration of payday lending statewide, but some of it is on the border of his district. Danice Picraux's 25th Albuquerque district is tied for second worst statewide with Gallup area representative Patty Lundstom's 9th district. Because New Mexico has so many Indian Reservations, it is difficult to discern the degree to which Indians are a target demographic in New Mexico, though it is obvious that the heaviest concentrations of payday lending are all close to at least one Reservation.

Bernalillo County has the most payday lenders (107) of any county, and more than many entire states have within their borders, but few counties can match McKinley County's astounding 2.4 payday lender to a bank ratio. This ratio is the fourth highest such ratio nationally, only one of this magnitude outside of the Old South. Several ZIP codes have extraordinarily high levels of payday lending. Albequerque's 87110 ZIP code has 29 payday lenders, the third most of any ZIP code in the US, perhaps fueled by the nearby military installations and large Indian population. Worst overall though is Gallup's 87301 ZIP code, which has a similarly high number of payday lenders, but a higher commercial density.

New York

Payday lending is illegal in New York.[230]

North Carolina

North Carolina findings are presented as a case study within the main Article.

North Dakota

Payday lending in North Dakota is permitted by a special usury statute authorizing payday loans. In prior generations, North Dakota law limited interest rates on small loans of sizes comparable to today's payday loans to interest rates of

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[230] N.Y. PENAL LAW § 190.40 (2007).

no more than 2.5% per month—or about 30% annually.[231] Current North Dakota law allows charges approximately seventeen times more expensive by changing the terminology of the law. Although payday loan charges are considered interest under federal law and any traditional commercial definition of interest, North Dakota's payday lending statute insists that a payday loan charge is a "fee" which "may not be deemed interest for any purpose of law."[232] Under the "Deferred Presentment Service Providers" act, North Dakota payday lenders "may charge a fee for the deferred presentment service, not to exceed twenty percent of the amount paid to the customer."[233] Given this limit, a typical payday loan of $325.00 with an initial duration of fourteen days carries an interest rate of 521.43%.

Nonetheless, North Dakota like some of the other the northernmost Plains state has a relatively tepid market for payday lending. North Dakota has a small market, dispersed population, moderate poverty rates, and only a small minority population. Only 77 payday lenders are licensed in North Dakota, and they are heavily concentrated in Fargo and Bismark. About 25 of them are in ZIP codes adjacent to the state's two Air Force Bases (Minot and Grand Forks). Overall, North Dakota ranks in the lower tier of states for payday lending (33rd), with slightly above average per capita densities (rank 21st) and below average ratio of payday lenders to banks (33rd), which is a pattern common among sparsely settled states like North Dakota. North Dakota's three person delegation should be quite popular with social conservatives, because according to Poole and Rosenthal, they are the most conservative in the US. The Christian Political Organizations voter scorecards do not reflect this voting record however, and they merit a low score of 33.67, placing them 38th among the states.

North Dakota has only one congressional district, and it is just above the national average on a per capita basis, but below average in terms of the ratio of payday lenders to banks. Among the upper house districts, Dick Dever's 32nd district in Bismark has the most payday lenders and the highest per capita density. Ray Holmberg's 17th district, adjacent to Grand Forks Air Force Base, is second worst. Tom Seymour's 5th district, near Minot Air Force Base is 3rd worst statewide. Lower House districts in the same places also have high numbers and densities of payday lenders. Bismark's 32nd district (Dosch and Meier) has the most activity followed by Grand Forks area district 17.

No county in North Dakota ranks among the nation's worst for payday lending, but several do have densities that are well above national averages. Worst among these counties is probably Ward County which has 11 payday lenders and 21 banks, though Stark County has the highest per capita density of the activity. Bismark's 58504 ZIP code ranks first in North Dakota for payday lending with 8 payday lenders and only 1 bank. Dickinson is second worst. Both of Minot's ZIP codes rank among the worst 6 in the state for payday lending, perhaps a byproduct of the nearby Air Force Base.

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[231] *See* BARBARA CURRAN, AMERICAN BAR ASSOCIATION, TRENDS IN CONSUMER CREDIT LEGISLATION (1965).
[232] N.D. CENT. CODE § 13-08-12 (2007).
[233] *Id.*

Ohio

The Ohio Revised Code continues to reflect the longstanding Ohio tradition condemning usurious lending. Currently Ohio law defines "criminal usury" as taking interest on an extension of credit "at a rate exceeding twenty-five per cent per annum or the equivalent rate for a longer or shorter period."[234] Nevertheless, the Ohio legislature has adopted a special exception to this traditional rule allowing payday lenders to charge interest rates well over ten times the State's traditional criminal loansharking limit. Under this exception, an Ohio "check cashing business" may "receive interest at a rate of five per cent per month" plus "[l]oan origination fees not exceeding an amount equal to five dollars per fifty dollars … of the amount of the loan." [235] Expressing this price limit in the same terminology as Ohio's criminal usury definition, payday lenders can now charge a 391.07% interest rate on a typical $325 loan.

Geographically, the Buckeye state has over 11 million people, making it one of the most populous states and the number of payday lenders in Ohio (1,379) is almost exactly what you would expect based on the densities in other states. Ohio ranks in the middle of the 39 payday lending states for per capita densities (20th) and ratio of payday lenders to banks (17th). The classic swing state, also sits pretty firmly in the middle of the pack (32nd) in terms of our Christian Power Index as well. Split between the more liberal northern section and the more conservative southern sections, its Poole and Rosenthal ranking is 35th; its Christian Political Organization ranking is 21st and it ranks 38th "Most Evangelical/Mormon" among the states.

Most of Ohio's congressional districts are about average nationally for payday lending, but Charlie Wilson's 6th district, stretching along the Ohio River in Appalachian Ohio borders the top 50 in per capita density. Deborah Price's district on the west side of Columbus is second worst statewide, followed by several of the classic Rust-belt districts around Akron, Canton and Youngstown. David Goodman's 3rd district among the eastern suburbs of Columbus appears to have the most overall payday lending activity in the state. Teresa Fedor's Toledo based 11th district is second worst in the state, and has the highest ratio of banks to payday lenders, partly as a result of nearly a dozen payday lenders stacked on the border with Michigan, perhaps hoping to take advantage of more lax lending laws in Ohio. John Carey's 17th district in southern Ohio also stands out because generally districts with multiple small cities and large rural populations are not attractive to payday lenders, but Carey's district is third worst among Ohio's Senate districts. Among the General Assembly districts in Ohio, Matt Szollosi's 49th district on the Michigan border is worst, propelled by the stateline activity. William Healy's Canton area 52nd district is second worst and Kevin Bacon's 21st district ranks third. Fred Strahorn's district bordering Wright Patterson Air Force Base has the fourth most payday lending activity.

Many of the counties along the Ohio River figure among the most overrepresented by payday lenders. Belmont, which has the highest per capita density in the state, leads both Lawrence and Washington Counties for worst

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[234] OHIO REV. CODE ANN. § 2905.21(H) (2007).

[235] OHIO REV. CODE ANN. § 1315.39, 1315.40 (2007).

overall conditions. Rural Fayette County has the highest commercial density and one of the highest per capita densities. Franklin County has more than twice the number of payday lenders found in all of Minnesota.

North Akron's 44301 ZIP code is the worst in Ohio for payday lending. Following closely in terms of overall numbers and densities is Columbus' 43213 ZIP code on its east side and tiny Bridgeport across the Ohio River from Wheeling West Virginia, where it appears that several payday lenders are trying to take advantage of the fact that payday lending is illegal in West Virginia.

Oklahoma

The Oklahoma legislature has passed a special exception to the Oklahoma Uniform Consumer Credit Code allowing payday lenders to charge prices over ten times the traditional Oklahoma usury limit. The longstanding Oklahoma Consumer Credit Code still includes a limit establishing interest rates over 33% per annum on loans of $300 or less as usurious, and 21% per annum on unpaid balance that exceeds $300.[236] However, Oklahoma's newer payday loan exception the price limit in relation to loan principal, rather than as an interest rate. Under the "Deferred Deposit Lending Act," a payday lender can charge $15.00 per every one hundred dollars for principal less $300, and $10.00 for every $100 for loan amounts in excess of $300.[237] Given this limit, a typical payday loan of $325.00 with an initial duration of fourteen days can carry an interest rate of up to 381.04%.

Geographically, Oklahoma is one of those states that is torn between its Southern, Midwestern and Western identities. It has almost 400 payday lenders, which for its number of banks and people is really very average, ranking it 20th and 23rd on each respective measure. This puts it in line with the patterns we have documented in the Midwest and in the Plains States. However, the Christian orientation of the state appears to be more in keeping with its Southern side. Oklahoma ranks 3rd in Evangelicals/Mormons per 1000 population, higher than even Alabama, and at least according to the Christian Political Organizations we surveyed, that density translates into proper Christian legislative behavior from the Oklahoma congressional delegation, who averaged a 89.45 score, fourth highest among all federal delegations. The Poole and Rosenthal numbers, show the delegation to be conservative, but much less so, earning the delegation a ranking of 22nd. Still Oklahoma ranks easily in the top 10 states for Christian Political Power.

Oklahoma's 5th congressional district (Mary Fallin) is the only one with substantially high densities of payday lenders, many of which are near Tinker Air Force Base. John Sullivan's Tulsa-area 1st district ranks second worst among Oklahoma districts. Among Oklahoma's state senate districts, Debbe Leftwich's 44th district, adjacent to Tinker Air Force base, has more payday lenders than banks and a high per capita density, making it worst statewide. Brian Crain's Tulsa area 39th district ranks second. In the lower house, a three way tie exists between Eric Proctor's Tulsa-area 77th district and two Oklahoma City area

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236 OKLA. STAT. tit. 14A, § 3-508A (2007).
237 OKLA. STAT. tit. 59, § 3108(A) (2007).

districts held by Al Lindley and Sally Kern, both of which are within a few miles of Tinker Air Force Base.

Tiny Cimarron County has just over 3,000 people, but a payday lender. This might seem insignificant, but for a region apparently without a McDonald's, Wendy's or a Burger King, and only about 3,000 people, this is a significant density. Other counties with more traditional problems include Muskogee and Cherokee Counties which also have high per capita and commercial densities, and rank worst in the state. At the local level, several ZIP codes in Tulsa (74112, 74145 and 74105) and Oklahoma City (73107 and 73110) crowd the top five for payday lending activity in Oklahoma.

Oregon

While data for this study was being collected, the Oregon legislature adopted significant revisions to its consumer financial services law. Prior to the change, Oregon allowed payday lending and furthermore had been one of a handful of states that had no price limit on payday loans whatsoever. [238] However, Subsequent to gathering data on payday lender locations, the Oregon legislature revised its usury law, limiting payday lenders to an interest rate of 36% per annum together with an origination fee of $10.00 per $100 loaned. [239] Under this limit, a typical $325 payday loan with an initial duration of 14 days would carry an interest rate of 153.72%. The data presented in this section and throughout the paper predate the recent change in Oregon law, and are presented with the caveat that as the Oregon legislation goes in to effect, there can be little doubt that the structure of the industry will change dramatically.

Prior to recent legislation, Oregon was home to about 348 outlets statewide, a figure that put the state about in the middle of the ranks in term of per capita density (25th) and ratio of payday lenders to banks (19th). Overall, Oregon ranked 25th for payday lending, which is much higher than one might guess off-hand, given the popular perception of Oregon, but these figures actually line up neatly with Oregon's little known, but substantial poverty rates. The power of Christian Conservatives is somewhat limited in Oregon (rank 32nd). Only about 14 percent of the population is either Evangelical or Mormon, and both the Poole and Rosenthal rank (29th), and Christian Political Organization rank (40th) are below the national average.

Ed Blumenauers' East Portland area 3rd district was the only Oregon with above average densities of payday lenders, ranking just on the border of the top 100 nationally for total payday lending activity. Several districts in Oregon's upper legislative house had above average payday lending activity. The most intensive activity count be found in Peter Courtney's Salem-area 11th district and Kurt Schrader's 20th district on the southern fringes of Portland. Among the lower house districts, David Hunt's 40th district appears to have had the most activity, though some of the payday lenders operated on the district's eastern border. Susan Morgan's rural 2nd district had the highest per capita density of payday lenders in

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[238] OR. REV. STAT. § 725.600-625 (2005).
[239] OR. REV. STAT. § 725.622 (2007).

the state and tied for second worst district overall with Karen Minnis' 49th district on the eastern fringes of Portland.

Multnomah County had as many payday lenders as all of Minnesota, but Douglas County had the worst per capita and commercial density rankings in Oregon. Portland's 97267 ZIP code was the worst in the state for payday lending, but oddly high concentrations also exist in Roseburg and Klamath Falls, earning them the distinction of being ranked second and third worst in the state respectively.

Pennsylvania

Payday lending is illegal in Pennsylvania.[240]

Rhode Island

The Rhode Island General Laws still retain a traditional usury cap that purports to limit interest rates to the greater of 21 percent per annum or 9 percentage points above the domestic prime rate published on the last business day of the month preceding origination of the loan in question.[241] However, the Rhode Island legislature has adopted a special exception to this traditional limit for payday lenders. Under the newer legislation, "Check Cashers" can charge "deferred deposit transaction fees" of up to "fifteen percent (15%) of the amount of funds advanced" in a payday loan.[242] Under the latter limit, a typical $325 loan with an initial duration of 14 days carries an interest rate of 391.07%.

Our survey of payday lender locations revealed only a modest number of payday lenders given the size of Rhode Island's population. We identified 44 businesses that are licensed and appear in telephone directories. Though the state is small, it has nearly a million residents, making its 44 payday lenders pale in comparison to other states with similar populations. Rhode Island is third to last in payday in our composite measure of payday lender location density, just behind Minnesota and fellow New Englanders from New Hampshire. Rhode Island ranks even lower (47th) on our Christian Power Index. It has the lowest percent of Evangelicals and Mormons of any state, and its four person state delegation is neither conservative (Poole and Rosenthal rank – 40th) nor vote in accordance with the wishes of the Christian Political organizations we surveyed (rank 43rd).

Both of Rhode Island's congressional districts have low numbers and low densities of payday lenders on a national scale. Though Daniel Issa's 16th district only has four payday lenders, because it has less than 30,000 people and only 1 bank, it ranks worst among Rhode Island's upper chamber districts. A similar ratio exists, but with a higher per capita density in Agostinho Silva's 56th district, earning it the worst ranking among the House districts for payday lending.

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[240] 7 PA. STAT. ANN. § 6213 (2007).
[241] R.I. GEN. LAWS § 6-26-2 (2007).
[242] R.I. GEN. LAWS § 19-14.4-4 (2007).

Rhode Island has only five counties, the worst among them for payday lending are Providence and Kent Counties. At the ZIP code level, Central Falls and Woonsocket rank first and second worst in the state for payday lending and much like we have noted for New Hampshire this appears to be a result of two or three payday lenders hoping to lure in lenders from Massachusetts where payday lending is illegal, though the small numbers suggest little demand for the product exists in Massachusetts.

South Carolina

In contrast to its neighbors, North Carolina and Georgia, the South Carolina legislature continues to authorize triple digit interest rate payday lending. Unlike traditional usury limits, which express the price of loans in terms of an interest rate, South Carolina's "Deferred Presentment Services" law limits the price of payday loans with a limit proportional to the size of the loan. The statute authorizes lenders to charge no more than "fifteen percent of the face amount of the check for accepting a check for deferred presentment or deposit." [243] Under this limit, $300 payday loan with an initial duration of 14 days carries an interest rate of 460.04%.

South Carolina is home to Advance America, the nation's biggest payday lending chain, and the conditions that have allowed this industry leader to flourish have also permitted payday lending to explode in South Carolina. With only about 4 million people, it is very surprising to find that there are over 1,120 payday lenders in this state, making it the second most per capita nationally. Furthermore, the ratio of payday lenders to banks (1,120 to 1,286) is also second highest nationally. In all likelihood, payday lenders will soon outnumber banks, a situation that currently may only exist in Mississippi.

South Carolina is also a solid member of the Bible Belt, ranking 14th on our Christian Power Index, so it is surprising that usury is widely accepted in South Carolina. The state has the 9th highest percentage of Evangelical Christians at about 1 in 3 people. Its state delegation, votes conservatively as well, ranking 15th on the Poole and Rosenthal measure. Its delegation is not as popular with the Christian Political Organizations as one might guess, ranking a very pedestrian 25th, thanks in large part to two Democratic congressmen who received very low scores.

All of South Carolina's congressional districts rank in the top 50 nationally for payday lending and two of them rank in the among the worst 10. John Sprat's 5th district, is the 3rd worst nationally for payday lending. With its 209 payday lenders and 161 banks, it has the 3rd worst location quotient nationally, and the 10th highest per capita density nationwide. Also sharing a peculiarly inverted ratio of banks to payday lenders is Jim Clyburn's 6th district, which has 192 payday lenders, five more than it has banks, and very high for the number of people in this district, which overall makes it 9th worst nationally. Barrett's 3rd district and Inglis' districts rank 13th and 15th worst respectively nationally.

Very high concentrations of payday lending can be found in a number of South Carolina's state legislative districts and several districts rank among the

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243 S.C. CODE ANN. § 34-39-180(E) (2007)

nation's worst, with badly inverted ratios of payday lenders to banks. Still several manage to stand out. Glenn Reese's 11th district has the most payday lenders (45), and the highest per capita density statewide, but Kent Williams's sprawling 30th district near Florence has the overall worst ranking in the state. Among the lower chamber districts, Jerry Govan's 95th district has 24 payday lenders, nearly 1 for every 1,000 people in his district, but only 9 banks, making this district the worst in the state and among the top 5 worst nationally. Donald C. Smith's 83rd district has similar densities, ranks second in the state and also among the worst 5 nationally for payday lending. J. David Week's 51st district, near Shaw Air Force Base, also has an especially high density of payday lending activity and ranks among the nation's worst. Very high spatial concentrations of payday lenders can also be found next to Fort Jackson, but because multiple legislative boundaries cut through this region, only Leon Howard's 6th district ranks among the states' worst districts for payday lending.

Florence County has the second highest concentration of payday lending in the United States, ranking very high on all of our statistical measure of the industry's activity, especially per capita density where we find there is nearly 1 payday lender for every 5,000 people in the county. The nation's highest commercial density of payday lending may be in Marlboro County were there are more than 2 payday lenders for each bank. Greenville County has almost twice the number of payday lenders as the entire state of Minnesota.

Greenwood's 29649 ZIP code is the worst in South Carolina for payday lending and 6th worst nationally because it has 19 payday lenders for a population under 25,000 and only four banks. North Augusta's 29841 ZIP code is second worst in the state and 10th worst nationally, with extraordinarily numbers and densities of payday lenders, partly attributable to its border location with Georgia and the proximity to Fort Gordon, which is only a few miles into Georgia. Lake City is third worst in the state and also among the nation's worst. High densities are also evident around Shaw Air Force Base and Fort Jackson.

South Dakota

South Dakota is one of handful of states that has no legal limit designated the point at which a loan becomes usurious.[244] Many companies appear to operate out of South Dakota, but its smallish market and dispersed population make it less attractive to payday lenders to come in great numbers. Still 125 payday lenders operate here, placing South Dakota in the top 10 for per capita density nationwide. Like other states with a widely scattered, rural population, South Dakota has a lot of bank branches, so the location quotient for the entire state is below average (.791) and 25th among the states. South Dakota's Christian Political Index ranking is 25th, and it ranks 23rd among the states with about 14.6% of its population classified as either Evangelical or Mormon. Oddly however, South Dakota's three person congressional delegation, while very conservative voters according to Poole and Rosenthal's data (rank 2nd) gets a score of about 19 from the Christian Political

244 S.D. CODIFIED LAWS § 54-3-1.1, 54-4-65 (2007).

Organizations, who rank them 47th. This discrepancy is the largest of any of the states in our study.

South Dakota's single congressional district is above average for payday lending per capita and is 123rd nationally for overall payday lending activity. South Dakota's legislative boundaries are essentially the same for both chambers of the legislature, so they can be discussed together. Easily the district with the most payday lending activity is district 35 represented by William Napoli in the Senate and Representatives Jeffrey Haverly and Mark Kirkeby. Adjacent to Ellsworth Air Force Base, this district has 17 payday lenders and only 11 banks, for the roughly 22,000 people there, making it one of the nation's greatest per capita and per bank densities. Sioux Falls area district 13th is second worst and the Watertown area 5th district is 3rd worst in the state.

Because of the small populations, there are not large numbers of payday lenders any where in South Dakota, but several Counties in South Dakota have high densities of payday lending. The highest overall densities are in Pennington County, which has nearly as many payday lenders as banks, and ranks just outside the nation's 100 worst counties for payday lending. Walworth county may have the highest per capita density in the state, with 2 payday lenders for its roughly 6,000 residents.

Rapid City's 57701 ZIP code, adjacent to Ellsworth Air Force Base is the worst in the state for payday lending and its 22 payday lenders are among the most of any ZIP code nationally. Sioux Falls' 57105 ZIP code is second worst in the state and Aberdeen is third worst.

Tennessee

Payday lending in Tennessee is permitted by a special usury statute authorizing payday loans. Although payday loan charges are considered interest under federal law and any traditional commercial definition of interest, Tenessee's payday lending statute insists that a payday loan charge is a "fee" which "may not be deemed interest for any purpose of law." [245] Under the "Deferred Presentment Services" act, Tennessee payday lender charges "shall not exceed the lesser of:(1) Fifteen percent (15%) of the face amount of the check; or (2) Thirty dollars ($30.00)." [246] Given this limit, a typical payday loan of $325.00 with an initial duration of fourteen days carries an interest rate of 240.66%.

Tennessee is another southern state awash in payday lenders, but with sturdy Bible Belt credentials that would seemingly discourage liberal usury laws. Tennessee has 1,421 payday lenders, third most among the states, which is more than Ohio, despite having half the population of Ohio. Not surprisingly, Tenesee's per capita density of payday lenders is extraordinarily high at 2.56 per 10,000 people, the 4th highest density in the country. The ratio of payday lenders to banks (2,099), is also well over the national average, earning Tennessee a lofty 5th place ranking in this category and an overall rank of 2nd worst among the 50 states. Tennessee's political climate is very conservative by national standards and

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[245] TENN. CODE ANN. § 45-17-112 (2007).
[246] *Id.*

heavily inflected by its large (38.4 %, rank 6th)Evangelical Christian population. The congressional delegation from Tennessee votes conservatively according to Poole and Rosenthal (8th most conservative) and the same delegation gets relatively high marks (72.8) on Christian Political Organizations voter scorecards ranking it 14th among all state delegations.

All but one of Tennessee's congressional districts rank among the top 100 nationally, but all of them have above average per capita densities for payday lending. The worst of the nine districts is Steve Cohen's 9th district centered on Memphis which is 6th worst nationally. With nearly 30 more payday lenders (182) than banks, its ratio in this category is 6th worst and its per capita ranking is 14th worst nationally. Poor and heavily minority, this district is typically of districts with a massive payday lending industry. Following close behind the 9th district are John Tanners's 8th district (14th worst nationally) and Lincoln Davis' 4th district which both have very high per capita densities of payday lending.

The state senate districts with the most payday lending activity are also in Memphis, with Shea Finn's 30th district ranking ahead of the others and among the top 5 nationally for number of payday lenders, per capita and per bank densities. James Kyle's neighboring district also has very high numbers and densities of payday lenders, ranking second worst in the state. Charlotte Burk's 15th district ranks 3rd in the state, despite its largely rural and small town orientation. Among the lower house districts, districts around Memphis crowd the rankings. Gary Rowe's 87th district has 35 payday lenders and only 11 banks, which is one of the highest ratios nationally and because it also has a very high per capita density as well, it not only ranks worst in Tennessee, but second worst amongst its counterparts nationally. Marrero Beverly's 89th and Lois DeBerry's 91st Memphis districts rank second and third worst in the state, and also among the worst nationally. A heavy concentration of payday lenders near the Georgia border and around Chattanooga, makes several of the district there (29th and 30th especially) also rank poorly among the state lower house districts.

Many counties in Tennessee count among the nation's worst for payday lending, but among the very worst are Maury County which ranks high on all our statistical measure of industry activity. Sequatchie County has only 6 payday lenders, but since it has 2 fewer banks and only 11,370 people, it ranks worst in Tennessee on our two density measures and 11th worst nationally. Coffee County contends with Rhea County for designation as 'worst overall' among Tennessee's 95 counties.

Quite a few of Memphis' ZIP codes rank among the worst in the nation for payday lending (38122, 38118 and 38115 especially) but Chattanooga's Ringgold Road features perhaps the highest density of payday lenders in the country and the ZIP code there (37412) ranks worst in Tennessee and fourth nationally for payday lending.

Texas

Texas has not passed a separate usury statute granting licensed payday lenders authority to charge fees unique to payday loans. Accordingly, payday lenders in Texas are subject to the state's traditional small loan law that limits interest rates at

48 percent per annum, plus a an additional loan "acquisition" fee of up to ten dollars per loan.[247] Under this limit a typical $325 payday loan with an initial duration of 14 days would carry an interest rate of about 128%. However, Texas also has a an obscure statute that authorizes companies called "Credit Service Organizations" to take a fee in exchange for brokering loans from other companies.[248] This statute has created a loop hole allowing Texas payday lenders to essentially ignore the traditional Texas usury limit. Under this statute, payday lenders partner with anonymous third party companies (some of which likely have close ties to the payday lender itself) to make payday loans outside the scope of the traditional usury limit.[249] In these arrangements the underlying loan itself generally complies with state law, but the company also assesses a "brokering fee" that generates a price that far in excess of the usury limit.[250] As a result, the great majority of the Texas payday lending industry simply ignores the traditional usury limit by generating the bulk of their revenue from fees nominally associated with brokering, but functionally identical to interest.[251] Given this essentially unregulated loop-hole, Texas law should be considered in a class similar to Delaware, South Dakota, Utah, Idaho, Nevada, and other states that have no price limits on payday loans whatsoever.

This largely unregulated legal environment made Texas the most challenging state to gather data about payday lending. Because the laws regulating payday lenders have shifted in recent years, there have emerged multiple agencies "licensing" payday lenders in Texas. Most used to be registered with the Texas Office of Consumer Credit Commissioner (OCCC), but since mid-2005, they have largely avoided this licensing option, instead preferring to license themselves as Credit Service Organizations instead. This designation is so broad that it is essentially impossible to discern payday lenders from other lenders who may be operating under a very different business model and offering loans at very different rates of interest. Therefore, we can only guess how many payday lenders operate in Texas. Using telephone directories as a guide, a challenging prospect in a state as large and populous as Texas, we estimate that there are about 1,706 payday lenders in the Lone Star State, though we acknowledge this may be a significant undercount. A representative from one leading, Texas-based consumer advocacy watch dog group was able to find 2,067 payday lenders registered under the CSO model, and an additional 358 still registered with the Texas OCCC, for a total of 2,425 payday lenders.[252] Even though we suspect that the higher estimate is closer to reality, we could not independently verify these numbers, nor map the CSO data

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[247] TEX. FIN. CODE ANN. § 342.252(3) (2007).
[248] TEX. FIN. CODE § 393.201 (2007).
[249] Don Baylor, *Loopholes Allow Loan Sharks to Prey on Hardworking Texans,* SAN ANTONIO EXPRESS-NEWS, Feb. 16, 2007, 9B; Pamela Yip, *Tightening Payday Lending Loopholes*, DALLAS MORNING NEWS, March 5, 2007, 1D. *See also* Richard Burnett, *Some Payday Lenders Flout State's Reform Law: They Say the Law Doesn't Apply Because they are Exempt or Peddle Loans via the Web,* ORLANDO SENTINEL, April 1, 2007, A1 (discussing similar phenomenon in Florida).
[250] *Id.*
[251] *Id.*
[252] Personal correspondence (Thu, 29 Mar 2007) with Don Baylor, Center for Public Policy Priorities

because it lacked address data, we felt it best to go with the more labor intensive, but consistent phonebook method we used on other states with poor or non-existent licensing data. If the higher estimate is accurate, then Texas' would compare less favorably with other states in terms of payday lending activity. If Texas has roughly 1,700 payday lenders, that would rank it second only to California, and it would remain second even if it had 2,425. On a per capita basis, Texas' 1,706 payday lenders would place it below the national average and rank it 32nd in this category. Assuming Texas has 2,425 payday lenders would put it almost exactly at the national average, and rank it 22nd in this category. Texas has many hundreds of small towns scattered across its vast western reaches, which like other Plains States, tends to boost its number of bank branches considerably (5,855). This makes the state have an ordinary location quotient regardless of the sum of payday lenders. With the smaller estimate, it is somewhat below the national average and ranks 23rd, and with the higher estimate, it ranks just above the national average, and ranks 14th. In either scenario, Texas has a poor payday lending picture, ranking either 16th worst with the lower estimate or 10th worst with the higher estimate.

Generally, we have found that states with favorable conditions for usury also tend to have a political climate heavily influenced by the politics of the Christian Right. Texas is no exception. Texas ranks 13th among the states for percent of Evangelicals/Mormons, with over a quarter of its population classified as such. Its statewide delegation average on the Poole and Rosenthal data is solidly conservative and ranks 10th most conservative, well ahead of other states with massive urban populations like Texas'. Texas' delegation is not quite as popular with our three Christian Political Organizations though, getting an average score of only 60.30 (rank – 27th) lower than most of its southern, western and plains neighbors. On our composite measure, the Christian Power Index, Texas ranked 15th highest.

Despite the probable undercount of payday lenders in Texas, the gerrymandered districts in Houston and Dallas, have created several districts with ideal demographics for payday lenders. The Houston districts lead the large Texas delegation in payday lending. Al Green's 9th district, has more payday lenders than banks and ranks 30th worst nationally. Other minority districts in Houston including Gene Green's 29th district and Sheila Jackson-Lee's 18th district also rank in the top 100 nationally as does Eddie Bernice Johnson's 30th district on the south side of Dallas and Silvestre Reyes's El Paso area district. In lockstep with their federal counterparts, the Texas state legislature boundaries are also obviously gerrymandered to create ethnically homogenous voting districts, and those districts appear high on the list for payday lending activity. Texas Senate District 6, (Mario Gallegos) carefully carved out of Houston's Latino neighborhoods, has the greatest payday lending activity in the state, followed by John Whitmire's 15th district, which has the state's greatest number of payday lenders, and payday lenders per capita. Royce West's 23rd district in Dallas ranks 3rd. Many of the lower house districts in and around Houston and Dallas also have intense levels of payday lending, but so do several of the district bordering military installations. For example, Rafel Anachia's 103rd District in the Dallas Metro area is tied for second worst among the states many lower house districts with Scott Hochberg's Houston area 137th district. The worst district is however Paul Moreno's 77th district which has numerous payday lenders at the gates of Fort Bliss and along the corridors leading to/from Jaurez, Mexico.

Though Dallas and Harris Counties both rank among the nation's top 10 for total number of payday lending outlets, other counties rank worse than these when population and number of banks are also considered. Perhaps the worst among them are Potter, Wichita and Angelina counties which rank poorly on several statistical measures. Tiny Bee and Wilbarger counties rank worst on commercial and per capita density respectively.

Despite the probable undercount, Houston's 77081 ZIP code nevertheless appears to have at least 17 payday lenders, and since it has only 5 banks and around 50,000 residents, it ranks worst in Texas for payday lending. Other ZIP codes with unusually high numbers and densities of payday lenders tend to be near military installations, including Witchita Falls, Killeen and San Antonio.

Utah

Utah findings are presented as a case study within the main Article.

Vermont

Payday lending is illegal in Vermont.[253]

Virginia

The Virginia General Assembly has passed a special exception to the its Consumer Finance Act allowing payday lenders to charge prices over ten times the traditional Virginia usury limit. The longstanding Consumer Finance Act still includes a limit establishing interest rates over 36% per annum on loans of up to $2500 as usurious.[254] However, Virginia's newer "Payday Loan Act" expresses its price limit in relation to the loan principal, rather than as a traditional interest rate. Under the newer statute, a payday lender can charge "an amount not to exceed fifteen percent of the amount of the loan proceeds advanced to the borrower."[255] Given this limit, a typical payday loan of $325.00 with an initial duration of fourteen days can carry an interest rate of up to 391.07%.

Virginia is another state with several distinctive regions whose personalities pull the entire state toward a middle ground. The Washington D.C. region, the Tidewater region and its expansive rural regions at times seem as if they should be in separate states. As a result, Virginia, as a whole, seems average in terms of both its payday lending activity and the power of Conservative Christians. Overall, Virginia ranks 17th for payday lending activity. It has about 800 payday lenders,

[253] VT. STAT. ANN. tit. 9, § 41a (2007).
[254] VA. CODE. ANN. § 6.1-272.1. (2007).
[255] VA. CODE. ANN. § 6.1-460 (2007).

which is a lot, but per capita, this ranks it 24th. The ratio of banks to payday lenders is also unremarkable, ranking 21st.

Jerry Falwell, perhaps the best known of politicized Evangelical Christians was based in Virginia, but Virginia ranks only 18th on our Christian Power Index. Only the rank (12th) that the Christian Political Organizations give to the Virginia Congressional delegation is remarkable. The Poole and Rosenthal rank is 25th, and the rank for percent Evangelical is 16th—lowest among the states in the traditional South.

Virginia's congressional districts vary widely in terms of the number and density of payday lenders. Robert C. Scott's 3rd district, which includes the Hampton-Norfolk military zone, is the worst of the groups, ranking 20th worst in terms of its banks to payday loan ratio and 25th worst overall. Thelma Drake's 2nd district, which shares a large military presence, is the second worst in Virginia and in the top 40 nationally for payday lending. Affluent districts near Washington D.C. on the other hand rank among the nations least afflicted with payday lending. Among Virginia's Senate Districts, there were several in the Hampton Roads which have the most payday lending activity. The two worst are home to important military facilities. Mamie Locke's 2nd district has 40 payday lenders and 26 banks, giving it the most lopsided commercial density in Virginia, but Yvonne Miller's 5th district, just across the harbor has the highest per capita density. Frank Wagner's 7th and Frederick Quayle's 13th districts tie for third worst in the state and they too are home to many service men and women. Among the Virginia House of Delegate districts, the geography of payday lending is much the same. Algie T Howell Jr.'s Norfolk area 90th district has the most payday lending activity, followed by other nearby military districts such as Johnny Joannou's 79th and Ward Jeion's 92nd, as well as others in the region.

Virginia has a peculiar system of county governance that makes it different than most states in our survey and difficult to make easy comparisons with counterparts nationally and even within Virginia, but it is easy to see that the concentration of payday lending in Portsmouth and Newport News are extraordinarily high. Portsmouth has 32 payday lenders and only 13 banks, an astounding commercial density statistic. Emporia has just about 5 payday lenders for just over 5,000 residents, which may be the highest such density in the United States.

Many of the Chesapeake Bay area ZIP codes rank among the nation's worst for payday lending. Newport News' 23605 ZIP code is the worst in the state with a 10 to 1 ratio of payday lenders to banks. Notable densities also exist in South Boston and Petersburg, which is adjacent to Fort Lee.

Washington

In contrast to its neighbor, Oregon, the Washington legislature continues to permit payday lenders to charge triple digit interest rates. In prior generations, Washington law limited interest rates on small loans of sizes comparable to today's payday loans to interest rates of no more than 3% per month—or 36% annually.[256] Unlike traditional usury limits, which express the price of loans in terms of an interest rate, Washington's "Check Cashers" legislation caps the price of payday loans with a limit proportional to the size of the loan. The statute authorizes lenders to charge no more than "fifteen percent of the first five hundred dollars of principal."[257] Under this limit, a typical $325 payday loan with an initial duration of 14 days carries an interest rate of 391.07%.

There are far more payday lenders in Washington than one would expect from a state with a relatively white and middle class demographic profile. But Washington does have pockets of both urban and rural poverty and many military areas that payday lenders find attractive. Overall payday lenders are 14th most active in Washington, and its rank is consistent across the measures we took of the state. With 736 payday lenders, Washington has the 16th most, and the 18th highest per capita density. Its ratio of payday lenders to banks is above the national average and ranks 14th among the states. Evangelical Christianity is not a major force in Washington politics. Only about 13 percent of the population is either Evangelical Christian or Mormon, and its congressional delegation ranks among the bottom 10 (42nd) according the Christian Political Organizations voter scorecards. The roll call voting measure from Poole and Rosenthal however suggest the delegation is split evenly among conservatives and liberal legislators, earning an average score very close to zero and a 26th ranking.

The two areas that have a large military presence rank worst among Washington's congressional districts. Adam Smith's 9th district, home to Fort Lewis and McChord Air Force base is 32nd worst nationally because it has both a large number and high densities of payday lending. Norm Dick's 6th district, which borders Smith's and also features a heavy military presence is second worse in the state. If the line dividing the two districts ran perhaps a few miles further north than it does, including Lakewood, then Smith's district would probably rank among the worst 10 in the country for payday lending. Other districts, with affluent populations rank among the nations least affected by payday lending.

Washington's upper and lower house legislative districts are shared, permitting discussion of the districts as if they were one. The 29th district, represented by James Hargrove (Senate) and Reprsentatives Steve Conway and Steve Kirby, lies just north of the Fort Lewis and McChord Air Force base and easily qualifies as the worst in the state, with 10 more payday lenders (46) than banks and the state's highest per capita density. The 33rd district and 22nd district have the second and third most payday lending in the state.

Chelan County has the highest per capita density in Washington, but Thurston and Peirce counties rank worst and second worst in the state according to our statistical measure of the payday lending industry by county. Lakewood's 98499 is easily the worst ZIP code in Washington for payday lending and neighboring Tacoma ZIP codes are not far behind, each taking advantage of the large military population in the area. Auburn's 98002 and Renton's 98055 ZIP codes tie for second worst in the state.

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[256] *See* BARBARA CURRAN, AMERICAN BAR ASSOCIATION, TRENDS IN CONSUMER CREDIT LEGISLATION 165 (1965).
[257] WASH. REV. CODE §31.45.073(3) (2007).

West Virginia

Payday lending is illegal in West Virginia.[258]

Wisconsin

With a reputation for being politically progressive, one might guess that a left-leaning legislature would have banned payday lending altogether. However, Wisconsin is one of a handful of states that currently has no limit on usurious loan pricing whatsoever.[259] Nevertheless, Wisconsin has a relatively modest number of payday lenders in comparison to many Southern and Western states. Wisconsin is home to 462 payday lenders, a figure that is 30th on a per capita basis and 29th in terms of the number of banks in the state. However, this is nevertheless very high when compared to most of Wisconsin's neighboring states in the Upper Midwest. Wisconsin's religious demographics and almost unique political milieu undercuts the power of the Christian right significantly. Wisconsin ranks 39th, on our Index of Christian power, mostly because it has only about 13 percent of its population adhering to some Evangelical or Mormon denomination, and its congressional delegation is both liberal (46th on the Poole and Rosenthal measure) and unpopular with the Christian Political Organizations (rank 36th).

Wisconsin congressional districts have little payday lending compared to the national densities. Only Dave Obey's district is even above average in per capita density, which makes it the worst among Wisconsin's districts, and 157th nationally. Dave Hansen's Green Bay area 30th district has 30 payday lenders, many of which seem to be close to the Oneida Reservation. Hansen's district also has the highest per capita density in the state. Several senate districts tied for second worst in the state, each having above average numbers and densities of payday lending. Among them are Julie Lassa's 24th district, Michael Ellis' 19th district, Judy Robson's 15th district and Carol Roessler's 18th district. Among the State Assembly districts, Karl Van Roy's 90th district in Green Bay with more payday lenders than banks, easily has worst payday lending densities in a state where such densities are rare. Second worst in the state is Jeff Smith's Eau Claire area 93rd district.

Wisconsin's counties do not rank among the nation's worst for payday lending activity, but several do have density statistics that are well above the national averages. Wood County for example has the highest per capita density among Wisconsin's counties, and Langdale County appears to have the highest commercial density. Overall though we calculate that Eau Claire, Brown and Winnebago counties rank first through third worst in the state for payday lending.

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258 W. VA. CODE § 46A-4-107(2) (2007).

259 WISC.. STAT. §§ 138.04, 138.05 (2007).

Eau Claire's 54701 ZIP code has the most payday lenders in the state, but worse conditions exist in Green Bay where ZIP codes 54304 and 54302 rank first and second in the state. Third worst in the state is Appleton's 54914 ZIP code.

Wyoming

While Wyoming has continued to hold on to its traditions in many cultural and legal respects, its regulation of consumer credit has followed the national liberal economic trend. A generation ago, Wyoming law limited interest rates on small loans of sizes comparable to today's payday loans to interest rates of no more than 3.5% per month—or about 42% annually.[260] Today, the Wyoming legislature has authorized interest rates of over 12 times this traditional limit. Under current Wyoming law payday lenders can charge "the greater of thirty dollars ($30.00) or twenty percent (20%) per month."[261] Under this limit, a typical $325 payday loan with an initial duration of 14 days carries an interest rate of 521.43%.

The Mountain West states have very small populations and therefore don't attract many payday lenders, but are among the most politically conservative. Wyoming is a great example of this pattern. Less than a half million people live in Wyoming and they are sparsely settled, yet 72 payday lenders operate in the state, placing easily over the national average and into the top 15 states per capita for payday lending. As we have seen with other states with a large ratio of small towns to big cities, there is a better ratio of banks to payday lenders, but in Wyoming this ratio is just barely under the national average and ranks 18th highest among the states. Overall, Wyoming is 24th on our composite ranking of payday lending activity per state, but if we were to recalculate the ranking and fully account for the small population in Wyoming, it would rank 16th highest.

Wyoming also ranks high (8th)on our Index of Christian Political Power. The state's small congressional delegation is the main factors, scoring an average of 97.7 on the voter scorecards prepared by the Christian Political Organizations we polled. The delegation's number one ranking would seem to make the roughly 21% (rank 15th) of the population is who is either Evangelical Christian or Mormon quite proud. On the other hand, the delegation's voting record is only 23rd most conservative according to our average of the Poole and Rosenthal roll call data

Wyoming's only congressional district is above average in per capita density of payday loans and ranks 118th nationally overall. Most of the payday lending activity in Wyoming is around Cheyenne, home of Warren Air Force Base and the state's only significant population cluster. Though none of these districts have more than 6 payday lenders, the per capita and per bank densities are nevertheless considerable. Kit Jenning's 7th district and Drew Perkin's 8th district are the worst

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260 *See* BARBARA CURRAN, AMERICAN BAR ASSOCIATION, TRENDS IN CONSUMER CREDIT LEGISLATION 166 (1965).

261 WYO. STAT. ANN. §40-14-363 (2007). In Wyoming, "[p]ost-dated check finance charges are fully earned on the day the post-dated check or similar arrangement is made." *Id.* Therefore, although the price cap is expressed as on a per month basis, it appears that a payday loan of 14 days can still carry a finance charge of 20% of the amount financed.

in the state for payday lending, though Bruce Burn's 28th district near Casper has similar statistics. Among the lower house districts, Mary Throne and Dave Zwonitzer's Cheyenne area districts rank worst. However, Erin Mercer's 53rd district in Gillette and Tom Walsh's 56th district also have notably high densities.

Campbell and Converse Counties have the greatest densities of payday lenders in Wyoming and both are easily above the national averages for the number of people and banks they have within their borders. Caspar's 82609 ZIP code is the worst in the state for payday lending, with payday lenders outnumbering banks and a high per capita density. Douglas ZIP code 82633 and Gillette's 82718 ZIP code are second and third worst in the state respectively.