

**Remarks Presented to the Texas State Senate
Committee on Business and Commerce
SB 253**

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My name is Dr. Mike Broadway, and I am a Baptist minister and theological professor living in Salado. I am representing myself as a citizen.

For the past year and a half I have been working with a wide range of church people, including pastors and seminary professors, to address economic injustices which have become increasingly acute in the wake of the mortgage security debacle and the burst housing bubble.

Along with other leaders, I have met with the top credit and mortgage executives of Bank of America and Wells Fargo/Wachovia to address usury and justice issues. I have also joined leaders from around the nation to meet with Attorney General Tom Miller of Iowa to articulate our concerns for justice pertaining to a national investigation of foreclosure fraud perpetrated by major national and regional banks, of which he is the lead investigator. Only last week we sent a letter to all the state attorneys general, including Texas Attorney General Greg Abbott, to outline a path toward economic justice in housing.

I give you this background because I want to emphasize that the struggle against usurious lending is not only a Texas struggle, but a nationwide struggle. In many states, legislators like you have worked diligently with citizen leaders to try to clean up the predatory lending practices that continue to spring up in our cities, towns, and neighborhoods.

All of you can agree with me that lenders and borrowers need to operate in a system built on fairness. That is what the millennia of historical usury laws has been about. Under this assumption, for four thousand years financial institutions have been able to succeed and flourish under the careful regulation of interest rates to protect people from usury. Yet for some reason we now find ourselves, because of laws made in 1979, 1980, and 1987, operating with few legal protections from usury. Perhaps contemporary humans have overestimated our maturity in failing to listen to the wisdom of four millennia, which recommends strong usury laws.

Of course, there have always been people who believe they should be able to charge as much as they want to lend money. In saner times, we knew what to call them: loan sharks. Nowadays, they pass as respectable business operators. When a legislature musters enough moral courage to try to prevent the worst forms of

usury, these predators search the fine print and locate every loophole in the letter of the law. Exploiting these loopholes, they find new and creative ways to abuse borrowers and scoff at the spirit of the law. The latest way is to pretend that interest is not interest by calling it a fee. The current abuse of payday lending and car title lending is an egregious example of this bald-faced lie.

If I borrow money from you, and you charge me for borrowing that money, then that is interest. The ancient text of Deuteronomy makes it very clear that usury is usury, whether you collect a fee up front, you charge it along the way, or you claim it at the end. The heart of the legal tradition's bias against usury is that it is wrong to victimize the poor and weaker members of the community by creating lending practices which prey upon their weakness.

Payday lenders may claim that closing this loophole will make it impossible to do business. It will make it impossible to do business the way they do it. But from my observations around the country, let me say that it will not make it impossible to operate a fair lending business among people of low and moderate income. Numerous workable business models exist, from non-profits like Grace Period of Pittsburgh, PA, to microlending banks, to community banks and credit unions. These businesses can make fair, non-usurious loans to fill the need of people who patronize payday lenders.

One of the shameful practices of the recent past in our nation was known as sharecropping. Theoretically, it was a way for people to apply their labor to improve themselves and benefit the landowner, whose land they farmed, at the same time. In reality, it was often a trap to keep people in debt to the landowner, living as debt slaves, perpetually indebted. The biblical tradition opposing usury has at its core the assumption that no society can be just if it creates and maintains a permanent debtor class. There must be a way out of debt. Payday lending as we have it now is debt sharecropping . . . debt sharecropping. Its business plan is perpetual indebtedness of its borrowers. Please close this loophole and help our state take another step toward economic justice in consumer credit.