July, 10, 2014

Public Service Commission

Dear Commissioner

Thank you for the opportunity to meet on this important issue. Since 2009 the Public Counsel and the commission have noted concern about whether payday lending sites are an appropriate venue for utility pay stations. You are right to be concerned and I appreciate your effort to revisit the issue.

For the past 15 years, I have been aware of the growing problems associated with predatory lending in Missouri. As policy director for the Attorney General's office and as a legislator, I heard testimony from consumers, and from community and religious leaders, about damage to communities caused by a carve-out or loophole in Missouri's usury law. This loophole allowed lenders to offer short-term loans – with an average APR of more than 400 percent.

This carve-out in our usury law was well intended. Legislators at an earlier time thought it was an opportunity to provide more competition and to expand credit to more consumers. It was an experiment but now we now it is an experiment that has failed. It has failed consumers, it has failed communities, and it has failed the state.

Studies cited in the filings from the Public Counsel provide evidence of the failures for the consumer --- increased difficulty paying rent and increased difficulty paying bills, due to the high interest of the loans. Those without $200 on Tuesday rarely have $200 plus interest two weeks later.

This translates to additional costs for the community. Studies show that as borrowers adjust their expenditures to accommodate high interest rates, they turn to programs such as food stamps, food pantries and reduced or skipped child support payments.

I have heard personal testimony of those who have been preyed on by this industry – some elderly, some with obvious mental handicaps, some simply desperate and lonely and all very financially naive.

Each have said how the lenders were so friendly and welcoming and how they joked with them and secured their trust. "They acted like they were my best friend", said one woman. Then, of course, two weeks later, they are in a trap. Maybe they borrow again, roll-over the loan. Or maybe they go next door for a loan, but in the end they can't pay and they have learned their friends are no longer friendly. They are harassing and mean.

As you are aware, the legislature has failed to respond to the citizens on this issue. One legislator told me, "You can't legislate stupid." And, certainly, the largess of the payday loan industry has contributed to their cavalier attitude toward a solution.

It is my hope that you will take a more responsible attitude. While no one expects the Public Service Commission or the monopoly regulated utilities to solve the problems of society, there is an expectation that as regulators you will not allow the utilities to exacerbate the problems caused by predatory lenders.

Clearly, those who are in need of a pay station are the very people the lenders like to come through their doors. The goal of the lender is to increase traffic. They will be friendly, chummy and make the consumer feel so very comfortable and welcome. And those who are vulnerable will fall into this trap.

Already, as a state, we have allowed this industry to prey on our citizens. However, we should not move to the next step by promoting this industry to those who are already struggling. For state regulators and monopoly utilities to play any role in promoting this industry is nothing short of shameful.

You have an opportunity to draw the line. I hope you will do so.

Sincerely,

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