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Study guide

From hardship to freedom

Minnesota congregation stands up to payday lending

By Robert C. Blezard

Payday loans are unsecured, small-sum, short-term (two weeks, for example) loans ostensibly designed to tide a borrower over until the next payday—hence the name. The problem comes because many borrowers can't pay them off in that short time span. So the debt rolls over—with high fees that make it even harder to pay off. If the loans keep rolling over, the fees just multiply and the sum can become nearly impossible to pay.

The Center for Responsible Lending (responsiblelending.org), an education and advocacy group, says the average interest rate on payday loans is 391 percent. It's only one type of financing that the group calls "predatory lending" because it preys on poor consumers who often don't have access to other kinds of lower interest borrowing, such as credit cards.

"The vast majority of payday loan borrowers are using payday loans to handle everyday basic expenses that don't go away in two weeks, like their rent, their utilities, their groceries," Diane Standaert, the center's director of state policy, told a radio reporter. "Payday loans are structured as a debt trap by design."

ELCA Advocacy has called on members to support regulations on predatory lending proposed by the federal Consumer Finance Protection Bureau (blogs.elca.org/advocacy/july-advocacy-update). Its "Action Alert" on the bureau's proposed regulations explains the rationale:

In his Large Catechism Martin Luther commented on the fourth petition of the Lord's Prayer ("Give us this day our daily bread"), saying, "How much trouble there now is in the world ... on account of daily exploitation



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and usury in public business, trading, and labor on the part of those who want only to oppress the poor and deprive them of their daily bread!" As communities of faith, we oppose unjust policies that result in exploitation of the poor, and call for standards that help lift people out of poverty.

Exercise 1: Debt trap

Ever fully read the terms and conditions for your credit cards—those multipage fliers of “lawyeresque” text in a tiny, hard-to-read typeface? Most people don’t, and that’s because lending is complicated and the fine print is often opaque to the average borrower. If regular credit-card terms are hard to understand, is it all the more possible that people signing up for payday loans aren’t fully aware of the terms and conditions?

As a study group, research predatory lending practices, including payday loans. How do they work? Why are they so damaging? Whom do they hurt, and why?

Share your information with members of your congregation—maybe through a workshop, temple talk or class on predatory lending. Or write an article for your congregation’s newsletter or website, including steps Lutherans can take to avoid predatory lending and help free those who are caught in the debt trap. Publicize websites of watchdog agencies and advocacy organizations that are spreading the word about predatory lending.

Exercise 2: Usury

The Old Testament repeatedly condemns the practice of “usury”—charging interest for loans—at least to fellow people of faith (for example, Deuteronomy 23:19-20). In his “Sermon on the Plain,” Jesus acknowledges that “sinners” lend money with interest, but he calls on God’s people to lend without interest even to enemies (Luke 6:34-35).

In modern times, “usury” is understood as charging exorbitantly high interest rates for loans.

For Christians who believe that the Bible is the literal and inerrant word of God (and the ELCA, like most mainline denominations, does not), is it a sin to participate in the modern banking system? Are all lenders sinful? Is the credit card industry sinful?

Why do you think the Bible forbids charging interest for loans? What kind of economic vision is the Old Testament, and later Jesus, casting by suggesting that God’s people lend money interest-free? What would our economy look like if money was loaned without cost?



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Do you agree with the modern understanding of “usury”—that it’s permissible to loan money at interest, so long as the rates aren’t too high?

What constitutes an exorbitant interest rate? What is the highest rate credit card you carry? What is your mortgage interest rate? What would you consider a fair interest rate for a loan: 5 percent? 10 percent? 25 percent? 50 percent? How about the 391 percent (or more) that payday loans may charge?

Exercise 3: Your credit

Here’s the scenario: Your car breaks down and the repair costs \$300. You need your car for work because there is no other transportation available. How would you pay for the repair?

- A. Cash from savings.
- B. Pay with a credit card.
- C. Borrow from a relative or friend.
- D. Borrow from payday lender.

- Why did you choose as you did?
- If a person’s best choice was A, what would that say about his or her financial condition? What are some inferences you might make?
- If a person’s best choice was B?
- If a person’s best choice was C?
- If a person’s best choice was D?
- Critics assail payday loans because they draw in people who are in a bind and have no other choices for credit. Based on your discussion, why is this so?
- Why are payday loans and other forms of lending called “predatory”?

Exercise 4: Help for borrowers

How does Exodus Lending work to “free” people from the bondage of predatory lending? As a ministry, how does Exodus Lending fulfill its mission to serve God’s people, and especially the most vulnerable in our midst?

How could your congregation help people to either avoid or become free of the “debt trap” of predatory lending? Which of these solutions would work?

- **Education:** Make members aware of the dangers of payday loans so they can avoid getting involved with predatory lenders. Hold classes



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on personal finance, household budgeting and other topics to help people manage their money better.

- **Advocacy:** Involve your congregation in ELCA Advocacy and other groups to pressure lawmakers to better regulate payday loans and other predatory lenders. Similarly, pressure state and local officials to tighten regulations on payday lending.
- **Direct help:** Create a program like Exodus Lending to assist individuals to break free from predatory lenders. Your congregation could partner with other faith-based organizations and businesses.

As a study group, explore the feasibility of each of these options and present a report to congregational leaders for possible implementation.



At the launch party for Exodus Lending in April 2015, members of Holy Trinity Lutheran, Minneapolis, showed up to support the congregation's new organization by sharing what financial freedom means to them.

From hardship to freedom

By Megan Brandsrud

When a payday lender opened on the block of Holy Trinity Lutheran Church in Minneapolis in 2012, members had some questions.

“We noticed that more of these businesses were popping up, and we were concerned about their impact,” said Jay Carlson, pastor of Holy Trinity. “We did some research on payday lending and this business practice, and we found out the harmful effects and how it takes advantage of people in vulnerable situations. We knew we wanted to do something to respond to these needs.”

At first the congregation partnered with others in the community and dove into advocating for policy change in Minnesota. “In 2014 there was a valiant attempt to reform the payday lending industry in Minnesota that ultimately failed, but we are planning again for 2017 to revisit the issue,” said Meghan Olsen Biebighauser, parish outreach leader of Holy Trinity.

In the meantime, Carlson said the congregation wanted to assist people who were caught in the high-interest loans and need help right now, so in 2015 they started Exodus Lending. Its name inspired from the book of Exodus, which tells of God’s people moving from bondage into freedom, Exodus Lending is a not-for-profit organization that helps Minnesotans who are trapped in payday loans.

Exodus Lending pays off borrowers’ loans from payday lenders and ends their relationship with the “predatory lenders,” Biebighauser said.

It then sets up a new 12-month payment plan with clients, allowing them to pay back their loan with zero interest.

“People want to pay back their loans, but when the fees and interest add up, it makes it almost impossible to dig out from under it,” Carlson said.

In addition to the loan process, Exodus Lending has a match program for clients who contribute to a savings account throughout the year. It also partners with Lutheran Social Service of Minnesota for clients to participate in financial counseling.

Exodus Lending recently named Sara Nelson-Pallmeyer as executive director, and so far the program seems to be successful. In its first year of operation, Exodus worked with 75 clients, refinanced 101 loans and saw a 96 percent repayment record. In April the organization celebrated with five clients who were among the first to graduate from the program.

A fresh start

Holy Trinity received initial funds to start Exodus Lending through a grant from Colonial, a United Church of Christ-affiliated congregation in nearby Edina, Minn. Since then Exodus has been sustained by many others, including parishioners, an ELCA Domestic Hunger grant and individual donors from the community. And as more clients complete the program, their money is also contributing to the sustainability of Exodus Lending.



From far left to right: Jeff Siemon, James Zoss and Megan Wolle, Pam Blomgren, David Hahn, and Anna Brelje, Allison Johnson and Megan Olsen Biebighauser.

Minnesota congregation stands up to payday lending

“The 96 percent repayment is an incredibly high repayment rate,” Biebighauser said. “We attribute that a lot to the relationships that form with clients over the course of the year. There is a lot of trust that gets built in the relationships, and clients want to make sure that money is paid back and available for the next person who needs help getting out of debt.”

What are payday loans?

Exodus Lending describes payday loans as small-dollar loans with extremely high interest rates that require the borrower to pay off the loan in full on their next payday.

Corii Varner wishes there were more places like Exodus Lending. A client currently in the repayment program, she said Exodus has helped her a lot. “They took the strain off me needing to come up with the money immediately; they made me feel more settled,” she said. “Sometimes when you’re in debt you don’t want to share that type of thing because it makes you feel embarrassed, but people shouldn’t be afraid to talk about it or to ask for the help they need.”

Carlson echoes Varner’s thoughts: “Learning about this issue allowed us as a congregation to have conversations about money and finances among

ourselves to understand the struggles people in our pews might have with debt.

“One important way every church can help end predatory lending practices is to talk more openly about debt. Through the ways we talk about money, each of us can help diminish the feelings of shame that people feel related to their personal finances and upon which predatory lenders rely.”

Exodus Lending and its supporters aren’t planning on slowing down their mission to reform payday lending anytime soon.

“Ideally, payday lending would be illegal and this type of usury would be banned,” Nelson-Pallmeyer said. “If and when the predatory landscape changes, we may be able to alter our specific loan product, but for now we’d love to offer more Minnesotans freedom from the usurious debt of payday lending.”

For more information, go to exoduslending.org.

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Brandsrud is a content editor for *Living Lutheran*.