

OCTOBER 3, 2002

**SCHAKOWSKY, COLLEAGUES & NATIONAL COMMUNITY REINVESTMENT COALITION
RALLY AGAINST PAY DAY LENDERS**

WASHINGTON, D.C. -- Payday lending is costing my constituents and people in Illinois millions of hard-earned dollars. In Illinois the cost of a payday loan is typically 20% of the amount borrowed. Payday lenders in Illinois on average charge consumers an annual percentage rate of 560%.

Consumers who use payday lenders are often unable to pay off these exorbitant rates. Instead they are forced to take out another loan to pay for rent, food and other necessities. That's a vicious financial cycle. According to Illinois Department of Financial Institutions, 82% of consumers take out more than 4 loans in a given year. Over fifty percent take out 11 loans or more.

Why are consumers forced into payday loan stores? The answer is that most of the consumers who use payday loans do not have access to conventional loans and many struggle to make ends meet. According to the Wood Stock Institute that the typical borrower has an annual income of \$23,690. Only 12% earn \$40,000 or more.

Our voices are finally being heard. Our coalition is leading the charge to stop payday lenders from using bank charters to avoid state and local consumer protection laws. Recently Brickyard Bank announced that it is ending its affiliation with Check'n Go. I applaud Brickyard Bank CEO David Keller for ending the banks' affiliation with this notorious payday lender.

Payday lenders have even had the chutzpah to claim that they actually help banks comply with CRA. That's what Check'n Go tried to claim in its merger proposal with Bank of Kenney. The truth is this notorious payday loan operator want to use the merger to expand its operation and to use the bank charter to avoid state consumer protection laws. I joined Representatives Rush, Davis, and Jackson in calling on the Federal Reserve's Chairman Greenspan to deny the merger.

The payday lending industry needs to be held accountable to consumers. Their fees need to be capped and consumers need to be informed of their rights under federal and state laws. Payday lenders should not be able to lie and deceive consumers. We need to pass Payday lending legislation and stop this industry from exploiting consumers.