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Payday loan reform bill dead after Alabama Senate inaction

The Alabama Senate met for nearly 12 hours Tuesday, but it did not find the time to consider Senate President Pro Tem Del Marsh's payday loan reform bill. Marsh, R-Anniston, authored the bill as a last-ditch effort to pass some sort of predatory lending reform this session after [a House committee killed previous efforts to cap interest rates on payday and auto title loans](#). With so little time left in the session, the Senate's inaction Tuesday effectively killed predatory lending reform efforts for the year.

Advocates initially pushed a set of bills that would have capped interest rates on payday and title loans at 36 percent. But when those bills ran into insurmountable industry opposition, Marsh threw his name and the weight of his role as Senate leader behind a new payday reform effort. His bill was weakened substantially in committee, but it still contained limits on the number of loans a borrower could take out in a given year and, most importantly, a centralized computer database containing information about the size and scope of the payday loan industry in Alabama.

The database was a particularly desirable component of reform because it would have provided public access to some formal data about the industry. It also would create an enforcement mechanism for the existing prohibition on borrowing a total of more than \$500 at any one time. The lack of a central database allows borrowers to hop from store to store, bypassing the legal limit and racking up large volumes of high-cost debt.

Arise pushed Tuesday to amend Marsh's bill to restore protections [stripped out by the Senate Banking and Insurance Committee](#). Initial reform legislation would have limited payday customers to six loans per year. Marsh's proposal raised that number to eight, and reports suggested that if the bill had made it to the Senate floor Tuesday, that number would have been raised again to 12. Marsh's bill also did very little to reduce the maximum 456 percent annual interest rate allowable on payday loans in Alabama. The politically powerful payday loan industry opposed all changes, but adjustments to the interest rate generated their most serious objections.

Ultimately, the 2013 legislative session will produce no changes on payday or title loans (which can charge up to 300 percent annual interest) in Alabama. Hundreds of thousands of borrowers across the state will continue to be sucked into triple-digit-interest debt traps for at least another year. But many consumer advocates say they learned a lot of valuable lessons and built a large nonpartisan coalition against usury that will be back again next year to seek reforms.

Stephen Stetson, policy analyst