

STATEMENT OF THE HONORABLE WM. LACY CLAY

Before

The Financial Services Committee

“Full Committee Markup”

March 16, 2005

This amendment addresses issues that are devastating to the lives of many of our young men and women in the Armed Services. I applaud Mr. Gutierrez for his zeal in addressing this problem. Nevertheless, I will oppose this amendment in its present form.

Many of the horror stories that are attributed to the payday loan industry are true. However, let us make a distinction with the payday lenders who are predatory and those who abide by state law with respect to rollovers and limit them to four, whichever is less. The Community Financial Services Association (CFSA) is one that has practices that are designed to circumvent the economic misery that are evident in the stories you hear about the industry.

CFSA has military best practices that suspend interest accumulation and collection during deployment. CFSA has prohibitions on the garnishment of military wages or salaries and on contacting the military chain of command to collect payment. CFSA's military customers constitute only 2% of their customer base. A 2005 poll conducted by the pollsters, Penn, Schoen & Berland Associates found that only 3.69% of active duty military personnel have used a payday advance in the last five years and only 1.18% had an advance outstanding.

I have issue with all fees being converted to interest when discussing costs associated with the industry. The transaction fee is no more interest than fees for bounced checks, fees for using an ATM machine or fees associated with mortgage proceedings. It is a normal course of doing business to charge fees on an unsecured cash advance.

Let us get rid of the bad actors in this industry, however, let us work with those in the industry who do have best practices that are consumer oriented and also advocate and provide financial literacy forums and information to consumers.

I do hope that this amendment is withdrawn and I will work with the Gentleman from Illinois to craft legislation that will protect not only our servicemen and women, but the general population as well.

Thank you for yielding Mr. Chairman.