



Society of

St. Vincent de Paul

NORTH TEXAS

Mini Loan Program (MLP) Summary

Working people struggling to support themselves and their families should be protected from lenders who look to exploit their financial insecurity, said Bishop Stephen E. Blaire of Stockton, California, chairman of the Committee on Domestic Justice and Human Development of the U.S. Conference of Catholic Bishops (USCCB). Bishop Blaire pointed out that the Catechism of the Catholic Church warns against taking advantage of hardship and equates it with theft. The Compendium of the Social Doctrine of the Church says that “although the quest for equitable profit is acceptable in economic and financial activity, recourse to usury is to be morally condemned.” Bishop Blaire added, “Poor and vulnerable working people deserve loan options that they can repay in a timely manner and that advance their long-term financial security, rather than consign them to a cycle of debt.”

The extreme annual percentage rates charged by payday lenders create a painful and false dependence that traps financially vulnerable families throughout our state. It is time to end that cycle and offer families protection from this abuse. The Texas Catholic Conference will support an effort to close the loophole in the next legislative session beginning in January 2015 while in the meantime the bishops across the state support zoning and regulatory ordinances passed by more than 17 cities such as Dallas, San Antonio, Austin and Houston in order to provide some basic protection for consumers. The restrictions on expansion and extension of consumer credit are critical for our residents.¹

- ❖ Fair loans and associated fees must be reasonably priced, which includes some form of fee limits.
- ❖ Fair loan products are structured for successful repayment.
- ❖ Fair loans are made based on a realistic assessment of the borrower’s ability to repay, with loan amounts limited to a reasonable share of the borrower’s income.
- ❖ Fair loans are structured to allow payments to reduce the loan principal without incurring penalty or other fees.
- ❖ Fair loan terms and conditions are clear, linguistically appropriate, and transparent in all advertising, disclosures, and contracts.
- ❖ Fair loans are structured to allow the borrower to build a positive repayment history and credit score.
- ❖ Fair loan terms are transparently regulated and vigorously enforced.

With this need in mind, The Society of St. Vincent de Paul Diocesan Council of Dallas (SVdP), has launched a program to help provide an alternative to these high interest (300% to 800% APR) payday and auto title loans. The SVdP program converts these usury or predatory loans into low interest loans to be repaid in twelve months. This Mini Loan Program was piloted from January through June of 2015 and then opened up to all SVDP conferences in the Diocese of Dallas in July 2015.

SVdP partners with 4 local Texas Banks, to provide the low interest loans for this program. As part of the agreement, SVDP funds an account as collateral to help protect against loan defaults. In return, the bank makes loans available at 3%. The larger this collateral account is, the more loans that can be serviced for those we serve. This account is being funded through conference twinning, private donations and grants. The minimum mini loan amount is \$500 and the maximum is \$2,500. (Loans from \$2,500 - \$4,000 will be considered but will only be approved by a majority vote from 6 district Reps which comprise the Council MLP committee.

The overview of the process to acquire a conversion loan follows:

- ❖ A payday or auto title loan is discovered during a SVdP home visit
- ❖ The SVDP conference MLP advocate screens the case for recommendation to the Council MLP District Rep for their district (the advocate also notifies the conference president).
- ❖ The Council MLP District Rep and conference president review the case and approves the recommendation.
- ❖ The District Rep notifies the Council MLP leader to send the file to the bank for processing.
- ❖ The bank authorizes the loan and provides funds to SVdP to pay off existing predatory loan.
- ❖ Automatic electronic drafts are made over a twelve-month period to pay off the loan.
- ❖ Upon completion of the loan payoff, the individual/family is recognized by the SVdP conference.

If you have questions or would like to help fund the program, please email MLP@svdpdallas.org for more information or call Louise Bland at 214 520 0650 ext. 116

¹ USCCB, Bishop Blaire Urges Greater Protection Against Payday Loans In Letter To Consumer Financial Protection Bureau, November 14, 2013

¹ Texas Catholics for Fair Lending, The Texas Catholic Conference Policy Agenda – Statement of Principles
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