



Advocacy Alert

OREGON FOOD BANK
OREGON HUNGER RELIEF TASK FORCE

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take five

(actions that take five minutes or less)

Action:

Contact your state legislator urging support for key anti-hunger bills.

Message:

✓ Hunger prevention starts with you. Public policies aimed at eliminating the root causes of hunger are a crucial step toward ending hunger in Oregon.

✓ Please support policies aimed at increasing family financial stability – SB 545, SB 768 & HB 2046.

✓ Please support federal food programs – SB 289 & SB 467.

Take Action with ease...
www.oregonfoodbank.org



Legislative Yellow Pages

State Legislative Information
1-800-332-2313 (outside Salem)
(503) 986-1000 (in Salem)
www.leg.state.or.us/citizenguide

Federal Legislative Contacts
Rep. Wu (District 1)
(503) 326-2901
Rep. Walden (District 2)
(541) 776-4646
Rep. Blumenauer (District 3)
(503) 231-2300
Rep. DeFazio (District 4)
(541) 465-6732
Rep. Hooley (District 5)
(503) 588-9100
Senator Smith
(503) 326-3386
Senator Wyden
(503) 326-7525

Usury: a brief history of consumer credit laws

Credit in its various forms is an essential part of our economy. Today, the use of credit to finance everyday living is more common than ever before.

For too many people who experience hunger and poverty, credit is literally necessary to live. These are families with few options and little clout in the market place who turn to high-cost credit to cover medical care, prevent eviction or purchase groceries.

The legal framework surrounding consumer credit is an important part of the story about the pressure families are facing due to mounting debt.

Consumer lending or usury laws date back thousands of years and are derived from the major religious doctrines. Usury laws are an attempt to balance the unequal relationship between people who have money and people who need it. For most of our country's history there has been widespread consensus that it was appropriate for government to enact consumer protection laws. Oregon adopted consumer protection laws in 1931.

The recent erosion of usury laws can be traced to a few key events.

States had always been seen as the primary regula-

tor of consumer lending laws. Laws at the federal level supplemented state laws. States set ceilings on interest rates and all lenders doing business in the state were obligated to adhere to the limit. Today the role is reversed and federal laws trump state laws.

Government response to the double-digit inflation of the 1970s marks the beginning of the unraveling of state-level consumer finance protections. Weak economic growth and rising inflation were great concerns to federal policy makers. In response to growing economic woes, President Carter's Federal Reserve Chairman Paul Volker raised interest rates. As a consequence, the interest rate set by the Federal Reserve was higher than the ceiling many states had set on mortgage rates.

States responded by eliminating rate caps on mortgages. State ceilings on other types of consumer lending were not affected because those rates were high enough that they didn't conflict with the market rates. It is worth noting that the consensus for price deregulation on mortgages was a practical response to an economic reality. The philosophical response came with the rise of the free market ideology

in the 1980s. Regulations were seen as a negative restraint on the market's ability to self-regulate through competition, supply and demand.

It was during the 1980s that Oregon legislators repealed the laws designed to protect Oregonians from predatory interest rates. Oregon legislators gutted the state's cap on interest in 1981.

Around this same period, a ruling by the US Supreme Court opened the door for businesses to circumvent state-level protections. The Marquette decision gave national banks the right to export the state law of their home state, including interest rates. Lenders flocked to states like Delaware and Nevada, two states that had no ceiling on interest rates. As a result, borrowers were no longer protected by the usury laws of their state.

A lender's ability to circumvent state laws and import high interest rates is one factor impacting efforts to reign in predatory lenders in the quick cash market. Compounding the issue of predatory lending is a legacy of racial and class discrimination, which continues to determine who borrows from whom and at what cost.

Today, the quick cash market *(continued on page 2)*

Decline of consumer protection

(continued from page 1)

is costing financially vulnerable Oregon consumers millions of dollars in triple-digit interest and fees. Borrowers quickly become trapped in a cycle of debt when they borrow money at a rate of 400 percent APR or more on a loan that must be repaid in full on the borrower's next payday. The reality for too many borrowers is that they are simply not able to recover from their financial crisis in time to pay their loan off in the 5, 7, or 14 days to their next paycheck.

Oregon legislators have the opportunity to reverse this trend with a modest proposal – Senate Bill 545 (see *Anti-hunger bills* for more information). Predatory lending has a long history and it won't end until public and private priorities shift sufficiently to demand the same standards in serving all borrowers, regardless of race or income.

The Advocacy Alert is published jointly by the Oregon Food Bank (OFB) and the Oregon Hunger Relief Task Force (OHRTF).

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Federal budget update

The House and Senate voted on April 28th to approve a \$2.6 trillion budget that cuts Medicaid by \$10 billion; cuts programs under the agriculture committee by \$3 billion; increases the budget deficit and creates more tax cuts benefiting the wealthy. Over the next five years, Congress will cut \$35 billion dollars from programs serving poor families. At the same time, Congress will send more money to affluent families in the form of tax cuts totaling \$100 billion. The net result will be an increase in the federal deficit and a decrease in the financial health and stability of millions of low-income families.

The budget outlines spending and tax policy for all federal programs. We are disappointed that this budget passed. But all of us should remember that the House budget would have cut twice as much. The final budget was vastly improved **thanks to leadership on Medicaid from Oregon's Senator Smith and the actions of thousands of people** who bravely called their Senators for the first time and shared their experiences and concerns. We thank each of you for your efforts and want to share with you this thought offered by a wise woman who has been a tireless advocate on these issues, "When you are standing at the edge of the abyss even a step backwards is progress". This budget feels like a step backwards, but ultimately we were able to prevent a lot of damage. As Congress begins debating how to make these required cuts, we will continue to inform you about actions you can take to improve the outcome for low-income families.

Anti-hunger bills in the state legislature

FAMILY ECONOMIC STABILITY

HB 3110 - Create a Renters' Tax Credit: Parallel Oregon's Elderly Rental Assistance program to include more low-income households. *Reps. Dave Hunt (D) Milwaukie and Debi Farr (R) Eugene.*

Status: Heard in House Revenue on April 4. Subcommittee formed to decide on one significant tax credit for low-income families to move forward. HB 2046, below, chosen to move forward.

HB 2046 - Expand the state Earned Income Tax Credit (EITC): Make the EITC refundable and increase the value to eliminate most state taxes for people living below the federal poverty level. *House Revenue Committee Bill.*

Status: Hearing in House Revenue in early March. Second hearing on April 20. Work Session April 26. Passed the House floor; moving over to Senate Revenue Committee.

SB 768 - Implement "Parents as Scholars" in the Department of Human Services. *Senate Education and Workforce Committee.*

Status: Passed Senate Education and Workforce Committee; currently in Ways and Means. It was assigned an unusually large fiscal impact of \$1.8 million, which advocates will work to reduce.

SB 545 - Strengthen Rules for Payday Loans: Establish cap on interest, maximum loan amount and payment plan for expiring loans. *Senate (Also HB 2761).*

Status: Passed out of Senate Commerce Committee on April 28th. Minimum 31-day loan term and reduced fee for rollovers eliminated; payment plan and maximum loan amount added. Sent to the Senate floor.

COMMUNITY FOOD SECURITY

SB 289 - Expand WIC/ Farmers' Market Coupons: Increase state funds by \$49,000 to access additional federal funds to expand to roadside stands and provide more fresh produce vouchers to families on the Women, Infants and Children (WIC) program. *Senate General Government Committee.*

Status: Passed Senate Human Services Committee; currently in Ways and Means.

FEDERAL & EMERGENCY FOOD PROGRAMS

SB 467 - Expand Summer Food Support: Implement the Oregon Department of Education policy option package to provide 5 cents in state funds for every summer lunch served.

Sen. Ryan Deckert (D) Beaverton and Rep. Debi Farr (R) Eugene
Status: Passed Senate Education Committee; currently in Ways and Means.