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**ARLA: New Credit Protections for Service Members Welcome;  
Safeguards Still Needed for Other Alabamians**

MONTGOMERY, Ala. – The Department of Defense’s expansion of regulations designed to protect service members and their families from predatory lenders is a much-needed step to close loopholes that lenders were using to saddle service members with high-cost loans, but state lawmakers should pass protections for Alabamians not covered by today’s action, the Alliance for Responsible Lending in Alabama (ARLA) said.

The Pentagon’s action comes after it was discovered that payday lenders and others were creating new loan types to evade a 36 percent interest rate cap mandated by the Military Lending Act of 2006. Department of Defense research found 1-out-of-every-10 enlisted service members continued to be targeted by high-cost credit designed to evade the act. The cap will now apply to all high-cost credit products that target service members, including payday, auto title and installment loans.

“We welcome this protection to prevent our service members from falling into a vicious cycle of debt at the hands of unscrupulous lenders,” said Sara Zampierin, staff attorney at the Southern Poverty Law Center (SPLC), an ARLA member. “We must, however, remember there are many other Alabamians not protected by today’s action, including veterans. That is why we will continue fighting for interest rate caps and other protections for all Alabamians.”

Alabama has four times as many payday lenders as McDonald’s restaurants. It has more title loan lenders, per capita, than any other state. The SPLC’s 2013 report – [Easy Money, Impossible Debt](#) – found that this loosely regulated loan industry exploits the state’s most vulnerable residents by burdening borrowers with annual interest rates of 456 percent for payday loans and 300 percent for title loans.

The Alabama Legislature has yet to pass a meaningful interest rate cap for these loans.

Although these small-dollar, high-interest loans are explained to lawmakers as short-term, emergency credit extended to borrowers until their next payday, the profit model of this industry is based on lending to borrowers unable to pay back the loan before the lender offers to “roll over” the principal into the new loan.

“We are glad to see that the Department of Defense has acted to protect service members and their families by enforcing this 36 percent interest rate cap on all loans,” said Joan Witherspoon-Norris, director of social justice of the YWCA Central Alabama. “Limiting the interest rate in this way will ensure that service members are not preyed upon by lenders, but instead are able to access more responsible and affordable credit.”

In a 2013 letter to the Alabama Legislature supporting legislation to cap interest rates on payday and car title loans, the Navy-Marine Corps Relief Society noted that they provided nearly \$42 million in financial assistance in the previous year to active duty and retired members of the Navy and Marines, much of which was needed to pay off high-interest credit. A copy of the letter is attached.

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*The Alliance for Responsible Lending in Alabama is a diverse coalition of civil rights, financial, social justice, religious and community leaders and organizations dedicated to reforming payday and car title lending in Alabama.*