

Catholic Reflection Guide

for *The Ordinance*

Developed by the Texas Catholic Conference

The Catholic Church's position on debt is rooted in the fundamental themes of Catholic social teaching.

The Life and Dignity of the Human Person

The starting point for Catholic social teaching is our belief in the dignity of human life. We believe that every human being is created in the image of God, is loved by God, and has been redeemed through the death and resurrection of Jesus Christ. This belief requires not only that we treat all people in ways that reflect their inherent dignity, but that we measure every policy and program by whether it enhances or diminishes human life and dignity.

Lending practices that take advantage of people in dire financial situations, regardless of why they are in these circumstances, tear away at people's human dignity.

Discussion Question: In what ways do current payday and auto-title lending practices violate this principle?

The Common Good

In the Catholic tradition, sacred and social are not distinct categories. We realize our human potential in relationship to others and have an obligation to build a society that gives all people the opportunity to realize their basic human rights. We do this by promoting the common good, which we define as the sum of those conditions in society that make it possible for all people to achieve their full human potential.

Individuals and families who rely on charity from churches and other organizations are often forced to subsidize their debtors through this charity. Almost half of all Texans who use faith-based services state that financial stress from payday and auto title loans caused their dependency upon charity. Instead of helping to build strong communities and a flourishing society, payday and auto title lending weakens faith-based organizations and damages communities.

Discussion Question: How can our community take action to ensure that the common good is protected in the lending market?

Preferential Option for the Poor and Vulnerable

While Catholic teaching demands that we care about all of our brothers and sisters, the poor and vulnerable have a particular claim on our concern because their needs are the greatest. The "preferential option for the poor and vulnerable" reminds us that a key measure of all policies and programs is how they affect the "least among us."

Payday and auto title loan stores concentrate in low and moderate income neighborhoods and profit when borrowers fail, must renew high-cost loans and remain in debt. This results in a spiraling downward for those in debt.

Discussion Question: What alternatives exist in our community? How can we work to build more alternatives, not just alternative loans, but alternative ways that the poor can meet their basic needs without turning to loans?

Catholic Teaching for Reflection

"I hope that these institutions may intensify their commitment alongside the victims of usury, a dramatic social ill. When a family has nothing to eat, because it has to make payments to usurers, this is not Christian, it is not human! This dramatic scourge in our society harms the inviolable dignity of the human person." *Pope Francis*, addressing the National Council of Anti-Usury Foundations, January 29, 2014

Both the regulation of the financial sector, so as to safeguard weaker parties and discourage scandalous speculation, and experimentation with new forms of finance, designed to support development projects, are positive experiences that should be further explored and encouraged, highlighting the responsibility of the investor. ... This is all the more necessary in these days when financial difficulties can become severe for many of the more vulnerable sectors of the population, who should be protected from the risk of usury and from despair. The weakest members of society should be helped to defend themselves against usury, just as poor peoples should be helped to derive real benefit from micro-credit, in order to discourage the exploitation that is possible in these two areas. (no. 65, *Caritas in Veritate*, Pope Benedict XVI)

Those whose usurious and avaricious dealings lead to the hunger and death of their brethren in the human family indirectly commit homicide, which is imputable to them. (no. 2269, Catechism of the Catholic Church)

Even if it does not contradict the provisions of civil law, any form of unjustly taking and keeping the property of others is against the seventh commandment: thus, deliberate retention of goods lent or of objects lost; business fraud; paying unjust wages; forcing up prices by taking

advantage of the ignorance or hardship of another. (no. 2409, Catechism of the Catholic Church)

Statement of Principles

The Texas Catholic Conference supports the following principles regarding the regulation of payday and auto title lending practices:

1. Fair loans and associated fees must be reasonably priced, which includes some form of fee limits.
2. Fair loan products are structured for successful repayment.
3. 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.
4. Fair loans are structured to allow payments to reduce the loan principal without incurring penalty or other fees.
5. Fair loan terms and conditions are clear, linguistically appropriate, and transparent in all advertising, disclosures, contracts.
6. Fair loans are structured to allow the borrower to build a positive repayment history and credit score.
7. Fair loan terms are transparently regulated and vigorously enforced.

More information

US Conference of Catholic Bishops' statement on payday loans:

<http://www.usccb.org/news/2013/13-211.cfm>

Texas Catholics for Fair Lending: www.texasfaithforfairlending.org

Texas Catholic Conference: www.txcatholic.org

