

10% IS ENOUGH CAMPAIGN

July 2009

The results of the recent economic collapse and current depression have been devastating to scores of millions of Americans. In Metro Industrial Areas Foundation (Metro IAF), a network of 17 broad-based citizens organizations throughout the East Coast and the Midwest, organizers and leaders do not just look at statistics. They look at people's eyes as people talk about lost homes, jobs, pensions, savings and dreams for their future and for their children's futures.

People's lives have been turned upside down in a remarkably short period of time. At first, too many blamed themselves for what was happening. They felt shame and suffered in isolation and in silence. They did not want to let neighbors, friends, and other members of their congregations know how much they had lost.

However, as the facts have emerged, people's shame has turned into anger. Many bankers and mortgage brokers peddled impossible loans the way dealers push drugs. Unrestrained credit card companies kept multiplying and refining ways to cripple borrowers. So-called financial experts and advisors gambled away the pensions and savings of Americans who had worked hard and responsibly their entire lives in schemes that were riskier than betting on the roulette wheel at a casino.

Along with the huge financial loss that people have experienced, trust has also eroded – trust in elected officials and a public sector that should have warned and protected people and trust in the financial and a market sector that produced nothing and preyed on many.

Recent responses fall into two categories. The first is a movement to limit the compensation of those who lead the nation's major financial institutions. This effort has appeal because it appears to punish some of those who were most responsible for the economic collapse. The second response is to create a new agency for consumer protection that would take years to establish, staff, and operate. Neither response – one dramatic but token, the other rational but bureaucratic – represents an adequate answer to the core question.

Passing laws against usury – the practice of overcharging borrowers – is Metro IAF's answer to that core question. The fundamental right of people to be protected from exploitation if and when they seek credit must be reasserted. By outlawing usury, the president and the Congress would restore both financial fairness and equity to the relationship between the lender and the borrower again.

Both religious and civic prohibitions against usury are age-old. Ezekiel, 18:10-13, compares a usurer to someone who "is a thief, a murderer. . . who oppresses the poor and the needy." The Koran tells us that "god condemns usury." America's founding fathers feared the impact of usurious practices. After 1776, all states adopted general usury laws. Most states limited interest rates to 6%.

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There is nothing new about a limit on the interest rate that can be charged – just as there is nothing new about speed limits on roads or the amount of alcohol that is allowable before someone is considered too drunk to be driving. Until laws against usury were repealed three decades ago, interest rates were capped, with some exceptions, at 9%. Before 1980, in the context of these caps, banks had somehow found ways to operate profitably.

What is new is the repeal of these limits. Since 1980, the nation operated without financial speed limits or DUI standards. In this new hit-and-run economy, tax preparers provide rapid refunds to consumers, for a fee that, when calculated annually, can approach an annual percentage rate of 100%. Credit card companies sneak additional fees, often at exorbitant rates, into the bills of borrowers who keep zero balances. Between March of 2007 and February of 2008, 70 million American card holders experienced increases in finance charges. Interest rates of 25%, 35%, and higher are common. Without any fiscal restraints, with this mix of high interest and high fees uncontrolled, the predictable has occurred: collisions and crashes and incalculable damage done to families, communities, and country.

What we need now more than thousands of pages of new regulations, or the sour faces of executives forced to reduce their eight-figure salaries to a mere seven, is a 10% cap on interest rates.

Why 10%?

Because 10% is enough. Ten percent puts proportion and equity into the relationship between the lender and the borrower. Ten percent restores our capacity to form right relationships.

Illinois Senator Richard Durbin is quoted as saying that, even after the disasters of the past year or more, the banks still run the Congress. This is an honest admission from the second most powerful person in the Senate, whose title is the 'majority whip.'

Metro IAF's leaders do not accept the exasperation of Senator Durbin, or cynical posturing by many of his colleagues, as mature responses to the near-collapse of the nation's economy. Metro IAF plans to run a vigorous campaign to expose the distracting and tangential responses proposed so far and to refocus attention on the heart of the matter.

Metro IAF calls on the president and the Congress to re-instate usury laws by capping interest rates at 10%. Life, liberty, and the pursuit of happiness do not depend on the nation continuing to condone legalized loan sharking. In fact, they may depend on the ability of political leaders to end it.

For further information, contact: Metro IAF: qco@nyct.net or
Arnie Graf: agraf_21042@yahoo.com or Mike Gecan: mgecan@verizon.net