

BACKGROUND INFORMATION FOR 2009 LWVIA PRIORITIES

PAYDAY LOANS

Urge legislators to cap payday loans in Iowa at 36%.

- Payday loans can have an effective APR of over 390% on a 14 day loan, and they form a debt trap for low and middle income Iowans.
- Payday lenders target financially vulnerable persons. The average borrower in Iowa takes out about 12 loans a year, significantly higher than the national average of 8.7 loans per borrower. More than 6% of borrowers take out a loan every two weeks.
- Payday lenders justify the high cost of payday loans by saying that they are providing short term loans that are helping borrowers get past an immediate shortfall such as rent, utilities, medical costs, etc. However, only 2% of borrowers take out one loan a year.
- For most borrowers, the need continues next month when they have similar expenses as well as interest on the loan? A borrower who is unable to pay their loan in four months will often pay more in fees than their original loan.
- Eleven states have banned payday loans. When North Carolina outlawed payday loans their Department of Finance found that people turned to state programs or to friends, relatives, other consumer loans or worked out payment plans with creditors. **Iowa recently passed legislation allowing credit unions to offer an alternative to payday loans to non-members.**
- The United States Congress placed a cap of 36% on finance charges for payday loans to military members because studies showed that payday loans were reducing the effectiveness of the military. If it makes sense for the military, why not for everyone?
Urge legislators to cap payday loans in Iowa at 36%.

ALLOW IOWANS TO SUE FOR CONSUMER FRAUD PROTECTION

- Iowa is the only state in which residents do not have the right to sue a person or business that they feel has wronged them. This includes insurance fraud, and unscrupulous acts committed by home improvement contractors, used car dealers and predatory lenders.
- Every other state and residents in the District of Columbia, the U.S. Virgin Islands and Puerto Rico have this right.
- Iowa residents have no direct legal remedy. They have little opportunity to recover damages, get an injunction or recover lawyer fees. Only the Iowa Attorney General's office can bring a lawsuit, but they cannot handle the over 6,000 claims they receive each year.
See Des Moines Register editorial.
- The only recourse in Iowa is to bring a case called a "common law fraud" which is a more difficult case to prove and there is no provision to recoup attorney fees.

LAND, WATER AND FLOODS

During 8 out of the last 15 years there have been floods so severe in Iowa that they have resulted in presidential disaster declarations. Especially the floods of 1993 and 2008 should have taught Iowans many lessons. Over the years, we have converted prairies, and wet lands, tilled farmland, cleared trees, built roads and straightened streams. Now we need to act to make sure we do a better job of land management to prevent future flooding.

FLOOD MAPS

Only about half of the counties in Iowa have flood plain maps and some are over 40 years old. Maps are needed to let developers, property buyers and future owners know about potential disaster. Flood maps also help local officials know what areas may need to be evacuated in time of rising waters. Developing maps could be expensive, but with help from the federal government, it is important for the state to invest in maps. Money was allocated for this last session in the Power Fund, but some of that money has been diverted for flood recovery. Much gathering of data has already been done by Iowa agencies through the technology program called Light Detection and Ranging (LiDar). This was done by plane using radar technology. The data produced is perfect for creating new maps.

OTHER MANAGEMENT TECHNIQUES NEEDED

To address both droughts and floods, infiltration and storing water on or in the land should be a focus of water management in Iowa. This would include strategically placing wetlands and systems for regulating water flow from field tile drains. We need legislation to update our drainage district laws so that local drainage districts manage water for water quality as well as for drainage of rain water.

Today 65% of Iowa's land base is planted in corn and beans. Continuous row cropping reduces water infiltration. We need to encourage more cover crops and grass-based livestock systems that encourage infiltration.

Require Iowa cities to implement urban storm water ordinances that require infiltration and water-holding in new developments.

Move crop production out of flood prone areas and convert it to deep rooted perennial plants or grazing land.