

A Reformed Understanding of Usury

Introduction

The following essay is a summary of a position or positions held by the Presbyterian Church (U.S.A.) on the issue of usury. For the complete document related to this issue, please see www.pcusa.org/acswp and find the document titled “A Reformed Understanding of Usury for the Twenty-First Century.” The document may be downloaded for free or copies may be ordered from that site.

This document, summarized below, includes both policy and study materials. Its aim is to provide guidance and policy for the church to live faithfully in a world where credit is easily obtained and debts can quickly become crippling. The policy that is included in this document advocates for reformation of the lending system to provide a just and equitable system that no longer preys on those in need or suffering from financial distress.

Understanding the Problem

Money provides access to goods and services in the world. Often we need lines of credit to make purchases that could not be otherwise afforded. People using money and needing credit are not creations of our present era. The Bible is full of Scripture passages that relate to the use of money and the impact of debt on people’s lives. The church is called to live faithfully into these Scriptures and to uphold God’s revelation as presented through the *Book of Confessions*.

Presently, a credit crisis is pressing on the United States. Congress has approved bailout money for banks that participated in irresponsible lending practices. The church had foreseen many of the problems that led to this crisis and continues to

advocate for change that would lead to a more equitable system of lending.

In the world today the people with the poorest credit are charged the highest level of interest on loans that they receive. Often people with low credit ratings may not be able to receive a loan because their credit ratings and past spending history discourage lending bodies from taking the risk to offer lines of credit. As loans are denied, people may turn to payday loans to pay bills. Payday loans often have “fees” rather than “interest” in order to avoid interest limits that would otherwise cause them to earn less money. These lending practices result in heavy fees that trap people in situations of continual borrowing that are difficult to escape.

Check-cashing operations also engage in some questionable lending practices. For individuals without bank accounts, check cashers offer one option for financial transactions. While these businesses offer a necessary service to people who do not have bank accounts, they can impose fees on each and every transaction. Thus every time a person is in need of paying a bill with a check or money order, he or she must

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pay an additional cost that a person with a checking account would avoid. The fees associated with a standard checking account are far less than those that would be incurred by a person using a check-cashing business.

Predatory mortgage lending contributed to the economic crisis that began in 2008. These loans typically target people

Publisher’s Note

The Presbyterian Church (U.S.A.) takes positions on many social issues. Before crafting official social policy statements, there is a lengthy process involving study papers and consultations before the final General Assembly debates and votes on the issue. This essay is a summary of either a study paper being considered by the church or a summary of the official policy. The introduction to the essay explains where the full document may be found. Please visit www.pcusa.org/acswp for more information about the process and more resources.

with weaker credit scores. “A typical predatory mortgage is a refinance of an existing loan with the difference that the new loan is packed with excessive or unnecessary fees and provides no tangible benefit to the borrower.”¹ These loans have cost many people their homes and have driven them into deep debts. Subprime mortgage loans, a type of predatory lending, often lead to foreclosure. As a result the foreclosure rate has increased dramatically and cost both lenders and loan recipients billions of dollars.

There are many other lending practices that have taken advantage of those in need. Rent-to-own enterprises have sold items for more than 400 percent of their retail value by the time people have paid out their loans. Refund anticipation loans can prey on taxpayers by charging them three separate fees. Credit card companies were previously able to alter the interest rates without providing much, or any, notification to their borrowers. Credit cards are often offered to college students and people who are developing their credit. Without education, it is difficult to know how to calculate the cost of interest for a credit card purchase.

Biblical and Theological Perspectives

The lending practices that have been listed above are examples of practices that go against the church’s confessions and the biblical call to justice. Exodus 22:25, Leviticus 25:35–36, and Luke 6:35 all forbid charging interest on a loan. However, with the adoption of capitalist economies, money began to be viewed as a tool for production of capital, and usury, charging interest on a loan, became more acceptable.

John Calvin supported charging interest on loans to the rich. He did not support charging interest on loans to the poor or to people for whom such charges would be burdensome. Calvin wrote, “the desire for personal gain must . . . remain subordinate to that Christian Spirit of brotherly love which seeks to aid the poor and the outcasts, for they are to receive all the property and profit which exceed one’s moderate needs.”² It was never acceptable to charge interest to the poor, and when lending to the wealthy, a cap was placed on the interest rate so as not to capitalize on the rich. The aim was one of mutual support and uplift rather than making a profit.

The Presbyterian *Book of Confessions* captures the church’s theology throughout different ages. The eighth commandment sets the tone for usury practices. The Heidelberg Catechism interprets the command to not steal to also mean it

is unlawful to gain our neighbor’s goods through “trickery,” “deceptive advertising or merchandising,” or “charging exorbitant interest.”³ The commandment also requires us to deal justly in our financial transactions with one another. We are called to support our neighbors, not exploit them. There are other examples within the *Book of Confessions* that discuss the practice of usury as well.

As a whole the church’s theology prohibits unjust lending practices that seize upon those in need and benefit those who have money. When making a loan the interest must be reasonable. If the loan is being made to a person in need, then the interest needs to be minimal or nonexistent in order to assist that person in overcoming the burdens of debt rather than plunging that person further into debt. The aim of lending practices should be to promote equality and build up the community. It is not wrong for a person to collect interest so long as that interest is reasonable and the debtor has a good understanding of all conditions of the loan he or she is receiving.

Supporting Just Lending

Based on the church’s understanding of usury, the 217th General Assembly of the Presbyterian Church (U.S.A) adopted policy to support more just lending practices. The aim of this policy was to educate debtors and those seeking credit as well as to reform current lending practices and make available low-interest loans for those with the greatest need.

The church, on all levels, has been called to “support efforts to provide more effective and less costly financial services to people who are now forced to utilize high-cost alternative financial resources.”⁴ This will be done through partnership with organizations that have established legitimate and ethical educational and financial services for those who would otherwise be excluded from loans. The church will also participate in the development of community credit unions.

Education is of critical importance in working for reform. The church will work with local community organizations to educate people about usury and help them to find options outside of check-cashing facilities. The aim is to provide people with the knowledge to utilize better opportunities for saving and borrowing in their communities. The church will also work to change discriminatory lending practices by seeking out and partnering with faith-based investor groups and by communicating policy recommendations to its members that would

1. “A Reformed Understanding of Usury for the Twenty-First Century” (Louisville, KY: Office of the General Assembly, 2006), 13.

2. Ibid, 7.

3. *The Constitution of the Presbyterian Church (U.S.A.), Part I: Book of Confessions* (Louisville, KY: Office of the General Assembly, Presbyterian Church (U.S.A.), 1999), 4.110.

4. “A Reformed Understanding,” 1.

assist those without lower-cost banking services to discover banking options.

Education for Financial Literacy

The church has committed to leading educational efforts to inform others about financial literacy. Financial literacy is important for people to have as it helps each person to responsibly utilize credit by allowing him or her to know the terms of the loans that he or she is entering into. The church will first learn what other organizations, materials, and resources are available and then share these resources with others using appropriate means.

Where resources are not available or the resources are not helpful to the community, the church will work to develop new resources. These resources will be culturally appropriate and available in different languages so as to be able to be used with a wide variety of people. Age-appropriate resources will also be developed in order to assist people in different stages of life. Materials for teens, college students, and young adults, for instance, will be aimed at education on initial lines of credit, developing a credit history, and demystifying the complexity of the legal language and lending terms that so often accompany credit lines.

The church will utilize existing organizations and governments to increase financial literacy. Presbyterians desire to work with school boards to incorporate financial literacy as a part of curriculum for middle and high school students. Presbyterian-related colleges, universities, and seminaries will also be encouraged to continue education on financial management and responsible credit use. The church will use its existing publication structures to incorporate articles on financial literacy as part of the call to be good stewards.

Lending Ethics

The church will also work to provide church wide education on the ethics of lending. This effort will help to remove some of the confusion surrounding current lending practices and help to reveal unethical practices when and where they are being utilized. The capitalization and preying on those in need cannot continue, and the church is working to remove the veils that would prevent its members from recognizing questionable lending practices.

The resolution on usury will be distributed and utilized by congregations across the church in order to assist with education on lending ethics. Members of communities who have knowledge of banking and lending practices will be invited to share their knowledge with their communities to help prevent predatory lending practices.

The publishing branch of the church will be encouraged to develop new resources on usury and financial ethics. One part of these resources will be the development of new curricu-

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lar materials to develop understanding about the Christian responsibilities with respect to lending practices.

To assist with the advocacy for heightened ethical standards, the church will work to gain greater knowledge of federal and state laws. Presbyterians will have the opportunity to learn about these laws and the lending practices they shape through the outreach efforts of the Presbyterian Washington Office (www.pcusa.org/washington) and the Center for Responsible Lending (www.responsiblelending.org).

Modifying Policies

Christians have a responsibility to put their faith in action. Educational efforts are critical to gaining the knowledge of what requires change in our community and our world, but education alone will not create change. Thus, Presbyterians have also developed policy to mandate and continue advocacy efforts for a more just lending practice.

We hope to bring about change through advocacy to both national and local lending bodies and the governments that create the laws shaping lending practice. Presbyterians advocate for incentives to financial institutions that would make services available to those who would otherwise be denied. Other advocacy is geared toward regulating lending bodies, especially the consumer credit industry. As a church we can take a stance and work for change against financial systems that use usury to benefit the wealthy at the expense of the poor.