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*Empowering Communities.  
Changing Lives.*

## NEWS RELEASE

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### Unintended (but Predictable) Consequences

An editorial from Cecil H. Steppe, Retired President & CEO, Urban League of San Diego County

SAN DIEGO - When I was a young airman in the Air Force, nearly 55 years ago, my fellow airmen and I were paid just over \$85.00 a month in take home pay. The credit card industry did not exist for us and banks were not in the business of making small, short term loans to guys like me. Needless to say, it was not uncommon for airmen to run short on cash in between paydays. But, just as streams flow around rocks, we found ways to borrow the cash we needed. One of the few options we had was to borrow from a fellow airman. It seems that every unit had that one guy who was always willing to make a loan; provided you were willing to pay back 50 cents on the dollar in interest on payday. This backroom lending business was not an activity that the military sanctioned, but given the limited options for credit, its popularity was wholly predictable.

Well, some things don't change. Today's military men and women are still paid very little for their service, risking their lives and time spent away from family and more lucrative employment. Today, as an example, "E-1" pay grade personnel in the navy make about \$1,300 per month which falls far short of the \$17,170 in annual income the U.S. Department of Health and Human Services has set as the 2007 poverty threshold for a family of three. Not surprisingly, military members still run short on the cash in between paydays. Fortunately, there are less expensive, regulated credit options available today to help tide them over.

On October 1st, a federal law will go into effect that will take away several of these options for the military. That law (known as the Talent Amendment) will effectively eliminate payday lending, tax refund anticipation loans and title loans as short term credit options for military members. It will also affect military spouses (even when applying for a loan on their own, separate, nonmilitary income) and anyone who has received 50% of their support from a military member prior to applying for a loan. I'm not here to endorse these loans or to say that they are the best financial decisions all the time, for everyone but I'm also not here to say that they are the worst. What I will say is that eliminating these options does little to tackle the root demand for this type of credit - low pay and lack of financial options and education.

For over 50 years, the Urban League of San Diego County has served members of our community by reaching out to people of all colors, ages and beliefs (many of

them young military families) in order to empower and to remove obstacles to social and economic equality. And we've learned a few things in those 50 years. We've learned that regulations that fail to address the causes of financial stressors, like inequitable pay, inequitable access to jobs and credit, lack of meaningful financial education, and avoidance of personal responsibility usually fail to accomplish their intended goals. And they usually produce unintended, yet predictable, consequences.

So what can we expect from this law going into effect? The Department of Defense says that if payday, tax refund, and title loans are gone, military members will seek out better solutions at federal and military credit unions and from military relief societies. But this doesn't tell the whole story. If credit unions and relief societies had better options for everyone, military borrowers, it seems to me, would already be using them and there would be no need for additional laws.

So what will happen? What always happens when people aren't given sufficient resources and are faced with limits on obtaining sanctioned forms of credit: they will find ways to obtain non-sanctioned credit. Some military members and their family members may pay or encourage their nonmilitary friends to obtain loans on their behalf. Some may falsify credit applications. Some may seek out unregulated and more expensive Internet loans. And if all of these fails, I'm sure that someone in the unit will see his or her way clear to extend a loan for 50 cents on the dollar.

So, on October 1st, when military members are left with fewer regulated options, let's not act surprised when they start acting in unintended, yet wholly predictable ways. Until we are ready to fix the causes of demand: low pay and a lack of financial opportunity and education, regulations that do nothing more than limit options for satisfying that demand are little more than rocks in a rushing stream.

*Cecil H. Steppe is the recently retired President and CEO of the San Diego Urban League. Mr. Steppe previously retired from the county of San Diego after 35 years. During that period he served as the San Diego County Director of Community Initiatives, Health and Human Services Agency and spent 12 years as the Chief Probation Officer for the county. Mr. Steppe is a leader in the community and has volunteered his time and skills to a variety of nonprofit, community organizations. He is a champion of accountability and compassionate service delivery that allows people to believe in themselves.*

*The Urban League of San Diego County was founded in 1953 and is an affiliate of the National Urban League. Its mission is assisting African Americans and other underserved people in San Diego County to achieve social and economic equality through advocacy, bridge building, program services and research.*

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