



Predatory payday lending makes people who struggle to make ends meet worse off, increasing their likelihood of unpaid medical bills, checking account overdrafts and bankruptcy.

Now a few big banks are making payday loans based on the direct deposit paycheck of their checking account customers, or in a significant number of cases (almost one quarter), based on their benefits check for retirement or disability.

Here are a few of their personal stories, some collected in partnership with the California Reinvestment Coalition:

Lawyer in her late 30's

When she took a new job, C borrowed \$500 using her bank's direct deposit advance program, to cover expenses before she got her first paycheck. Since she was paid weekly, the loan was due in one week, with a \$50 fee. This put her behind on her next check. C was caught in this cycle for a year, paying \$2,600 in fees for one \$500 loan, renewed every payday.

C now receives her paycheck on a payroll card from which she can access funds through ATMs. She has no bank account, and she is embarrassed to have this history. "People think there is something wrong with you. There is a middle class shame when your wages don't match your profession."

Online advertising professional in his 30's

A's income fluctuates because of the nature of his business. He is a frugal, savvy consumer who scouts good deals for common goods and services. He took an advance from his bank to help him through a rough period and renewed it 14 times over eighteen months. The advances ranged from \$300 to \$500, and he paid fees ranging from \$22.50 to \$50 each time, for a total of \$518 in fees, more than the highest amount he had out at any one time.

Retired senior with a disability

R had his social security benefits direct deposited into his account, and borrowed a cash advance to make ends meet. When he switched to receiving his benefits on a government-issued debit card, the cash advance based on his checking account went unpaid. A check from a storefront payday lender bounced when he could not pay that loan back, and his checking account ended up \$700 in the negative. With the help of his personal counselor, R tried to negotiate with his bank over the phone so he could bring his balance to a positive over time. The bank was inflexible and R's account was closed. He was reported to ChexSystems, a company that provides checking account history of potential new customers for financial institutions, and had trouble opening a new account.

About the Center for Responsible Lending

The Center for Responsible Lending (CRL) is a national nonprofit, nonpartisan research and policy organization dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

For additional information, please visit our website at www.responsiblelending.org.

Widowed part-time worker

K is retired from the military, and works part time as a receptionist. She has been unable to find full-time work for several years, and when a close relative was diagnosed with cancer in another state, she borrowed \$250 from a payday lender to travel to see him. She has paid \$35 each week for that loan, unable to catch up and pay it off for good. She took out a direct deposit advance from her bank, and, with a paycheck of only \$170 per week, sees no way out of that cycle either.

Retiree on fixed income

B's bank statements claimed their direct deposit advance carried an APR of 120 percent - already a very high rate, but because bank payday loans are typically paid back in just a few days, his effective annual interest rates were much higher, ranging from 182 percent to ten times that, 1825 percent. B paid \$1200 in fees for the same \$500, repeatedly advanced. <http://www.nclc.org/images/pdf/pr-reports/runaway-bandwagon.pdf>

Wells Fargo customer for 16 years

In an online post, J complains that Wells Fargo withdrew the direct deposit advance when the account was already negative, causing a snowball of overdraft fees for small transactions. <http://wells-fargo.pissedconsumer.com/wells-fargo-are-common-thieves-20120614324775.html>

Social Security recipient

"...they have taken out the payment for the advance BEFORE the deposit is deposited! Which is to be tomorrow, yet they refuse to work with me concerning the matter." <http://complaintsbbb.com/2011/06/22/wells-fargo-direct-deposit-17739.html>

Wells Fargo customer for 22 years

When I call the bank I asked this was not a direct deposit it was a transfer from one bank to another one. I was told no, to them it is a direct deposit and therefore they took the money, if I wanted I can make another request for a direct deposit and would be charged for it again. That made no sense to me and I did asked as a longtime customer can they make a onetime courtesy and reverse it because now when my payment goes thru it is going to cause me to over draft. I was told they couldn't do it. I think it could have been done as a onetime and especially because I have bank with them for over 22 years and have never asked for a one-time exception. <http://www.scaminformer.com/scam-report/wells-fargo-bank-wells-fargo-bank-direct-deposit-advance-internet-c10163.html>

Wells Fargo customer for 19 years

H wrote the president of Wells Fargo Bank that their practices cost the family their automobile and insurance. The customer tried to cover an overdraft with a direct deposit advance, and still ended up with a negative balance. <http://www.complaintsboard.com/complaints/wells-fargo-bank-c465428.html>