



## High-Cost Payday Lending Traps Mississippi Borrowers

July 12, 2010

Jennifer Johnson, Senior Legislative Counsel  
202-349-1872

- Over 900 payday lenders charging up to 572% annual percentage rate (APR) for a two-week loan are located throughout Mississippi; with the highest concentrations per household in Tunica, Attala, and Leake Counties.
- A typical Mississippi borrower pays an estimated \$691 in fees for a \$350 payday loan and still owes the \$350 in principal. Overall, payday lending costs Mississippi families over \$270 million each year. Payday lending drains \$2.2 million and \$3.9 million from Tunica and Attala County households, respectively.
- Payday lenders will no longer be able to charge triple-digit interest rates when their exemption to Mississippi's 36% APR cap expires in 2012 unless industry and special interests prevail in extending the sunset provision during the 2011 legislative session.

**The special exemption allowing check cashers' usurious interest rates on small loans traps Mississippians in a cycle of debt and should not be extended; instead, the July 2012 sunset should be allowed to take place.**

### *Introduction*

A payday loan is a small, short-term loan of up to \$400 secured by the borrower's personal check. Marketed as a quick and easy solution to dealing with an unexpected expense, these loans are generally due in about two weeks. In Mississippi, 7, 14, and 30 day loan terms are permitted; borrowers can be charged up to \$21.95 per \$100 borrowed, which equates to a cost of 572% APR for the typical borrower.<sup>1</sup>

#### Payday Loan Basics

- Loans of up to \$400
- Usually due in two weeks
- Fee of \$21.95 per \$100 borrowed, or 572% APR
- Average borrower takes 9 loans per year

To qualify, a customer seeking a payday loan typically needs just a form of identification, a checking account, and proof of income either from a job or government benefits like Social Security. The borrower provides the lender with a personal check for the amount of cash she receives that day plus the fee. If the borrower does not pay back the loan when due, the lender can cash the personal check as repayment.

Because the entire loan amount, plus the fee, is due in two short weeks, borrowers typically find it hard to pay back a payday loan and also meet their regular living expenses. The result is that once borrowers pay back the loan, they then take out another a few days later when their money

runs out. This is the start of the payday lending debt trap cycle, where a borrower intends to only take one loan, but ends up having to take another each pay period. The average payday borrower takes out 9 payday loans a year, and an industry researcher has noted that the typical borrower stays in payday loans for 18 months.<sup>2</sup>

***Mississippi’s Payday Lending Experience***

For years, no Mississippi lender was permitted to offer a small loan product in excess of 36% APR. In 1998, however, the legislature passed a law exempting payday lenders from the 36% APR cap for all other small loan products. Instead, payday lenders were allowed to charge up to \$21.95 per \$100 borrowed for loans of up to \$400 with a term of at least five days. For the typical two-week payday loan, this equates to an APR of 572%. Fortunately for Mississippi, this legislation includes a sunset provision, which removes the special exemption to the 36% APR rate cap on July 1, 2012. This means that payday lenders will soon no longer be able to charge triple-digit rates and instead will have to abide by the laws that apply to all of Mississippi’s other small loan lenders.<sup>3</sup>

As of April 2010, there were 968 check cashing licensees located across Mississippi which are permitted to make payday loans.<sup>4</sup> Payday lenders are distributed throughout all but two counties; the most payday lenders per capita are in Tunica, Attala, and Leake Counties. The table below shows the 15 counties most concentrated with payday lenders (for complete findings for all counties, see Appendix 2).

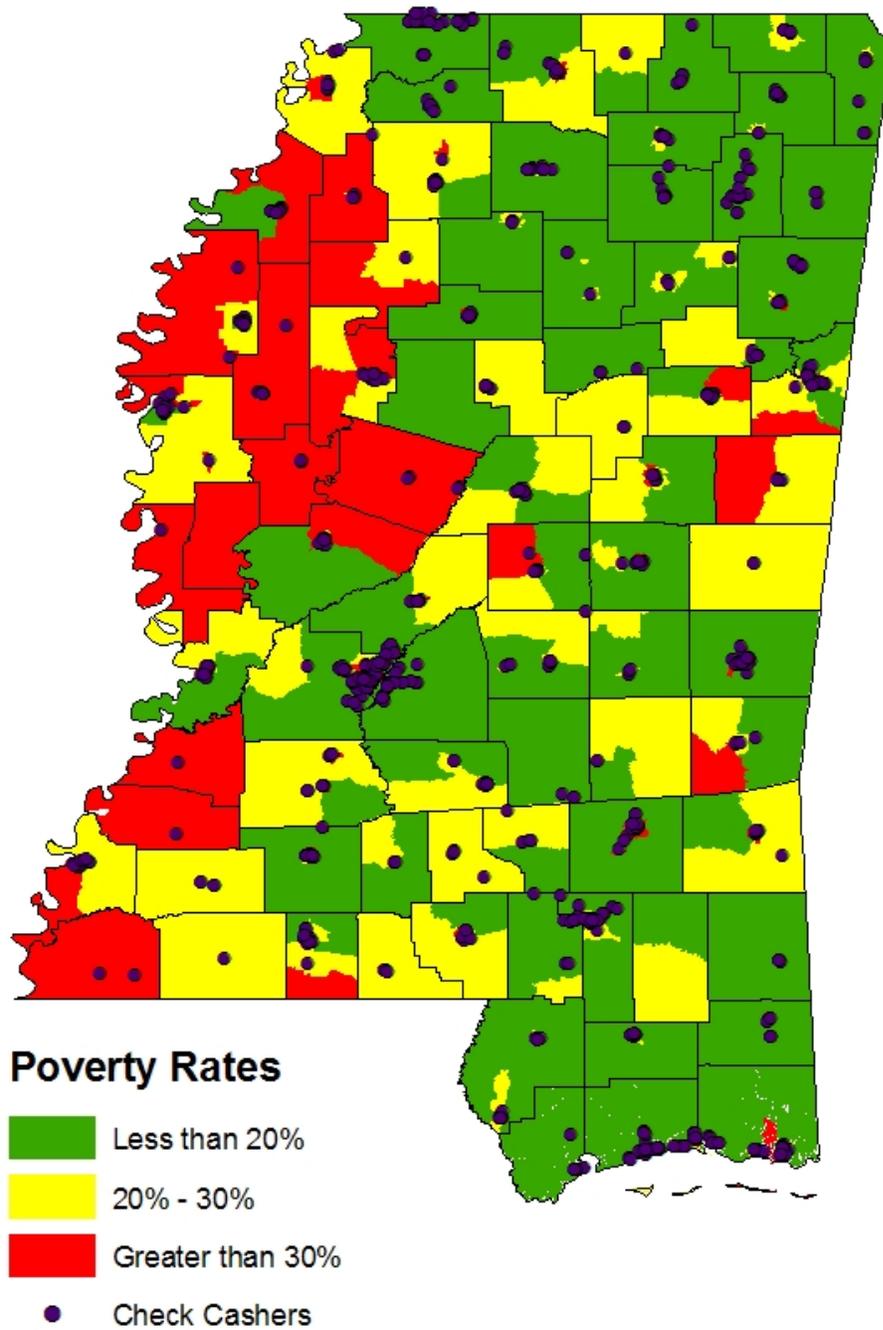
County	# of Licensees	Population per Licensee*	Loan Volume**	Total Fees Paid***
Tunica	8	1153	\$ 10,200,400	\$ 2,238,988
Attala	14	1404	\$ 17,850,700	\$ 3,918,229
Leake	11	1904	\$ 14,025,550	\$ 3,078,608
Adams	18	1908	\$ 22,950,900	\$ 5,037,723
Grenada	12	1939	\$ 15,300,600	\$ 3,358,482
Stone	7	1946	\$ 8,925,350	\$ 1,959,114
Forrest	37	1962	\$ 47,176,850	\$ 10,355,319
Leflore	19	1997	\$ 24,225,950	\$ 5,317,596
Panola	17	2016	\$ 21,675,850	\$ 4,757,849
Montgomery	6	2032	\$ 7,650,300	\$ 1,679,241
Neshoba	14	2049	\$ 17,850,700	\$ 3,918,229
Jones	31	2095	\$ 39,526,550	\$ 8,676,078
Franklin	4	2112	\$ 5,100,200	\$ 1,119,494
Marion	12	2133	\$ 15,300,600	\$ 3,358,482
Bolivar	19	2139	\$ 24,225,950	\$ 5,317,596

\*2000 Census data

\*\*This is estimated by multiplying the number of licensees by the national median loan size (\$350) by the national average loans per store (3,643).

\*\*\*Assuming a fee of \$21.95 per \$100 borrowed.

# Mississippi Check Casher Concentration by Economic Distress



Source: Mississippi Department of Banking and Consumer Finance; Mississippi Automated Resource Information System; U.S. Census Bureau; MEPC Analysis

Nationally, payday borrowers take out an average loan of \$350. Payday lenders tend to charge the maximum allowed by state law; not competing on price with nearby storefronts.<sup>5</sup> Based on this data, we find that **Mississippi payday lenders make over \$1.2 billion in loans each year, draining over \$270 million in fees from Mississippi borrowers.**

The vast bulk of revenues generated by payday lenders leave Mississippi, flowing to companies headquartered in other states. Seven of the top ten lenders in Mississippi listed below are headquartered elsewhere.

Business Name	Number of Locations	Company Headquarters
Advance America dba Cash Advance Centers	61	South Carolina
Express Check Advance	41	Tennessee
Check Into Cash	28	Tennessee
Valued Services of Mississippi d/b/a Check Advance	25	Georgia
All American Check Cashing	23	Mississippi
ACAC, Inc. d/b/a A Dollar Cash Advance	23	Mississippi
Cash Inc	20	Mississippi
Speedee Cash of Mississippi	20	Kansas
Payday Loan Store	17	Illinois
Check Exchange of Mississippi	17	Ohio

***Why is the payday loan product a debt trap?***

The payday loan product consists of a deadly recipe for borrowers:

- Triple-digit APR--the result of high fees coupled with a short period of time to repay.
- Access to borrower’s bank account through an un-funded check or ACH debit.
- Single balloon payment of principal and interest due from a single paycheck.

For the average Mississippi borrower taking out nine loans per year (an initial loan and then 8 subsequent consecutive transactions), this means they will pay \$691.43 in fees for \$350 in credit, and still owe \$350 in principal. **In total, Mississippians pay \$1041.43 to borrow \$350.** Because these nine loans are typically taken out one after the other—as a series of back-to-back transactions—the borrower is not really extended new credit each time, but rather paying a fee to re-open the initial loan every two weeks.<sup>6</sup>

Compared to the cost of other small loans, payday loans are far more expensive both in the short-term and over an extended period of time.

How Much Interest do Mississippians Pay to Borrow \$350?			
Loan	APR	6 Months	12 Months
Payday Loan in Mississippi*	572%	\$921.90	\$1843.80
Credit Card	28%	\$48.33	\$126.00
Finance Company Loan	36%	\$62.14	\$98.00
Credit Union or Bank Loan	18%	\$31.07	\$63.00
BankPlus Credit Plus	5%	\$8.63	\$17.50

\*assumes two loans per month

***The Payday Product’s Abusive Terms Creates Its Own Demand***

While the fact that more than \$1 billion in payday loans are originated every year in Mississippi makes it seem like these loans are filling a large need, the vast majority of payday business actually results from merely “churning” borrowers from one loan to the next every pay period. Nationally, over three-quarters of total loan volume is generated by trapped borrowers who could not make it to the next payday without re-opening their loan.<sup>7</sup> The payday lending industry depends on borrowers becoming trapped in debt for the bulk of their revenues. For example, national data show that:

- 90% of payday lending business is generated by borrowers with five or more loans a year, and
- Over 60% of payday lending business is generated by borrowers with at least 12 loans a year.<sup>8</sup>

This dependence on repeat borrowing is evident in a statement by Carol Stewart, the Vice President of Government Affairs for Advance America. When asked why her company was opposed to limiting borrowers to five loans a year (which would allow them to navigate more than one financial emergency a quarter), she stated: “We can’t live on five [loans].”<sup>9</sup> A remark from the CEO of Cash America is also telling: “And the theory in the business is you’ve got to get that customer in, work to turn him into a repetitive customer, long-term customer, because that’s really where the profitability is.”<sup>10</sup>

With the special exemption allowing payday lenders to charge triple-digit rates scheduled to come to an end in Mississippi in July 2012, payday lenders are threatened by the prospect of no longer being able to trap borrowers in debt. In the past, payday lenders have successfully sought to extend the sunset provision—allowing them to continue to charge triple-digit APRs in return for enacting some modest level of reforms on the industry. These reforms, often called “best practices,” include provisions such as limiting borrowers to one loan at a time and one payment plan per year that sound promising. However, in other states that have adopted these types of reforms, with much stronger enforcement than in Mississippi, payday borrowers continue to be trapped in long-term, high-cost debt at roughly the same levels as before the “reform” measures were implemented (see Appendix 1 for more details on typical Industry Best Practices and Appendix 3 for a summary of how these reforms have failed in other states).

<p style="text-align: center;"><b>Industry-Sponsored Check Casher Act</b></p> <p>-Extended sunset clause to prevent payday loan rates from being lowered to 36% APR.</p> <p>-Industry will again seek to extend special exemption from usury laws beyond 2012.</p>
--

***Industry so-called “Best Practices” do not stop the payday loan debt trap.***

Many states and the federal government have acted to end triple-digit interest rate payday loans. Sixteen states and the District of Columbia enforce reasonable interest rate caps on all small loans (these states’ rate caps are detailed in Appendix 4).<sup>11</sup> In addition, Congress passed and President Bush signed into law a cap of 36% APR on loans to members of the military, whose security clearances and deployment schedules were found to be threatened by payday and other high-cost lenders.<sup>12</sup>

In July 2012, Mississippi is poised to similarly eliminate the harmful impact of this abusive product on its citizens. However, if payday lenders have their way and extend the sunset date, Mississippians will continue paying 572% APR on their payday loans, rather than falling back to pre-1998 interest rates. This sunset date, if not removed by the payday industry's initiative, will level the playing field for all small loan lenders, by eliminating the special exemption that has allowed payday lenders to charge rates *16 times higher* than other small lenders.

From our analysis, we must conclude that a **sunset extension and implementation of industry "Best Practices" will not lead to effective reform; instead, Mississippi payday borrowers will remain mired in the debt trap.**

## APPENDIX 1: Typical Industry Tactics and Best Practices

In an effort to continue charging unsustainable interest rates, industry typically proposes the following instead of a reasonable interest rate cap:

- *Removing the sunset provision in the 1998 authorization of payday lending.* Payday lenders' exemption from the 36% APR small loan rate cap is scheduled to sunset on July 15, 2012. Removal or extensions of the sunset clause would allow payday lenders to continue charging triple-digit annual interest.
- *Lowering the allowable fee from \$21.95 per \$100 borrowed to \$15 per \$100 borrowed.* This provision reduces the APR on the typical two-week payday loan from 572% to 391%, still 10 times higher than the interest rate cap for other small lenders in the state.
- *Capping the maximum loan term at 35 days.* One of the problems with payday loans is the short repayment period. Capping the maximum loan term at 35 days does nothing to address this key problem. In addition, the minimum loan term 7 day loans would remain. Thus, lenders could continue to make weekly loans at 1144% APR.
- *Limit to One Loan Outstanding with a 24 Hour Cooling Off Period.* Even if this provision were enforced, a single payday lender could make as many as 24 two-week loans to a borrower in a one year. In Florida, which already has this provision and clear enforcement through a comprehensive database, the typical borrower still gets caught in the same debt trap--paying off her loan, waiting a short period of time, and then taking out another in a "back-to-back transaction."<sup>13</sup>
- *Debit Access to Borrower Accounts.* While characterized by the industry as offering convenience, in reality this provision would give payday lenders unfettered access to customer bank accounts and facilitate overcharging through continuous fees.
- *Repayment Plan.* This provision typically would limit consumers' rights of renegotiation to one request of a repayment plan annually. In addition, it typically gives borrowers the right to ask for a repayment plan, rather than requiring lenders inform them of this option.
- *Borrower Database to Track Borrowers with Repayment Plans.* While other states employ databases to enforce provisions such as a one loan limit and cooling off period, industry typically proposes that a Mississippi database – one not subject to scrutiny by third-parties – will only be used to ensure that borrowers do not take advantage of more than one repayment plan each year.

**APPENDIX 2: Payday lending estimates by county**

County	# of Licensees	Population per Licensee <sup>14</sup>	Loan Volume <sup>15</sup>	Total Fees Paid <sup>16</sup>
Adams	18	1908	\$ 22,950,900	\$ 5,037,723
Alcorn	11	3142	\$ 14,025,550	\$ 3,078,608
Amite	1	13599	\$ 1,275,050	\$ 279,873
Attala	14	1404	\$ 17,850,700	\$ 3,918,229
Benton	1	8026	\$ 1,275,050	\$ 279,873
Bolivar	19	2139	\$ 24,225,950	\$ 5,317,596
Calhoun	3	5023	\$ 3,825,150	\$ 839,620
Carroll	1	10769	\$ 1,275,050	\$ 279,873
Chickasaw	5	3888	\$ 6,375,250	\$ 1,399,367
Choctaw	3	3253	\$ 3,825,150	\$ 839,620
Claiborne	1	11831	\$ 1,275,050	\$ 279,873
Clarke	4	4489	\$ 5,100,200	\$ 1,119,494
Clay	8	2747	\$ 10,200,400	\$ 2,238,988
Coahoma	13	2356	\$ 16,575,650	\$ 3,638,355
Copiah	12	2396	\$ 15,300,600	\$ 3,358,482
Covington	5	3881	\$ 6,375,250	\$ 1,399,367
DeSoto	47	2281	\$ 59,927,350	\$ 13,154,053
Forrest	37	1962	\$ 47,176,850	\$ 10,355,319
Franklin	4	2112	\$ 5,100,200	\$ 1,119,494
George	7	2735	\$ 8,925,350	\$ 1,959,114
Greene	4	3325	\$ 5,100,200	\$ 1,119,494
Grenada	12	1939	\$ 15,300,600	\$ 3,358,482
Hancock	5	8593	\$ 6,375,250	\$ 1,399,367
Harrison	41	4624	\$ 52,277,050	\$ 11,474,812
Hinds	71	3532	\$ 90,528,550	\$ 19,871,017
Holmes	4	5402	\$ 5,100,200	\$ 1,119,494
Humphreys	2	5603	\$ 2,550,100	\$ 559,747
Issaquena	1	2274	\$ 1,275,050	\$ 279,873
Itawamba	3	7590	\$ 3,825,150	\$ 839,620
Jackson	31	4239	\$ 39,526,550	\$ 8,676,078
Jasper	2	9075	\$ 2,550,100	\$ 559,747
Jefferson	4	2435	\$ 5,100,200	\$ 1,119,494
Jefferson Davis	1	13962	\$ 1,275,050	\$ 279,873
Jones	31	2095	\$ 39,526,550	\$ 8,676,078
Kemper	2	5227	\$ 2,550,100	\$ 559,747
Lafayette	12	3229	\$ 15,300,600	\$ 3,358,482
Lamar	14	2791	\$ 17,850,700	\$ 3,918,229
Lauderdale	34	2299	\$ 43,351,700	\$ 9,515,698
Lawrence	2	6629	\$ 2,550,100	\$ 559,747
Leake	11	1904	\$ 14,025,550	\$ 3,078,608
Lee	33	2296	\$ 42,076,650	\$ 9,235,825
Leflore	19	1997	\$ 24,225,950	\$ 5,317,596
Lincoln	15	2211	\$ 19,125,750	\$ 4,198,102

Lowndes	23	2678	\$ 29,326,150	\$ 6,437,090
Madison	19	3930	\$ 24,225,950	\$ 5,317,596
Marion	12	2133	\$ 15,300,600	\$ 3,358,482
Marshall	12	2916	\$ 15,300,600	\$ 3,358,482
Monroe	12	3168	\$ 15,300,600	\$ 3,358,482
Montgomery	6	2032	\$ 7,650,300	\$ 1,679,241
Neshoba	14	2049	\$ 17,850,700	\$ 3,918,229
Newton	3	7279	\$ 3,825,150	\$ 839,620
Noxubee	3	4183	\$ 3,825,150	\$ 839,620
Oktibbeha	15	2860	\$ 19,125,750	\$ 4,198,102
Panola	17	2016	\$ 21,675,850	\$ 4,757,849
Pearl River	13	3740	\$ 16,575,650	\$ 3,638,355
Perry	0	-	\$ -	\$ -
Pike	18	2163	\$ 22,950,900	\$ 5,037,723
Pontotoc	10	2673	\$ 12,750,500	\$ 2,798,735
Prentiss	11	2323	\$ 14,025,550	\$ 3,078,608
Quitman	3	3372	\$ 3,825,150	\$ 839,620
Rankin	34	3392	\$ 43,351,700	\$ 9,515,698
Scott	10	2842	\$ 12,750,500	\$ 2,798,735
Sharkey	0	-	\$ -	\$ -
Simpson	12	2303	\$ 15,300,600	\$ 3,358,482
Smith	3	5394	\$ 3,825,150	\$ 839,620
Stone	7	1946	\$ 8,925,350	\$ 1,959,114
Sunflower	11	3124	\$ 14,025,550	\$ 3,078,608
Tallahatchie	1	14903	\$ 1,275,050	\$ 279,873
Tate	11	2306	\$ 14,025,550	\$ 3,078,608
Tippah	7	2975	\$ 8,925,350	\$ 1,959,114
Tishomingo	6	3194	\$ 7,650,300	\$ 1,679,241
Tunica	8	1153	\$ 10,200,400	\$ 2,238,988
Union	7	3623	\$ 8,925,350	\$ 1,959,114
Walthall	3	5052	\$ 3,825,150	\$ 839,620
Warren	17	2920	\$ 21,675,850	\$ 4,757,849
Washington	20	3149	\$ 25,501,000	\$ 5,597,470
Wayne	9	2357	\$ 11,475,450	\$ 2,518,861
Webster	4	2574	\$ 5,100,200	\$ 1,119,494
Wilkinson	2	5156	\$ 2,550,100	\$ 559,747
Winston	9	2240	\$ 11,475,450	\$ 2,518,861
Yalobusha	3	4350	\$ 3,825,150	\$ 839,620
Yazoo	12	2346	\$ 15,300,600	\$ 3,358,482

### APPENDIX 3: Experiences of other states with payday lending “reforms”

As shown in the table below, the experience of states introducing similar payday lending “reforms” short of a rate cap at or about 36% interest are ineffective.

	<b>Regulations</b>	<b>Results</b>
<b>Florida</b> <sup>17</sup>	<ul style="list-style-type: none"> <li>• \$500 maximum loan amount</li> <li>• No more than one outstanding loan at a time</li> <li>• \$10 per \$100 (plus verification fee) maximum fee</li> <li>• 24 hour cooling off period after each loan</li> <li>• 60 day grace period available, upon declaration of inability to repay</li> <li>• Rollovers prohibited</li> <li>• Database</li> </ul>	<ul style="list-style-type: none"> <li>• 89% of loans go to borrowers with five or more transactions per year</li> <li>• 58% of loans go to borrowers with 12 or more transactions per year</li> <li>• Average of 8 loans per borrower</li> <li>• Less than one percent of transactions take advantage of the 60 day grace period</li> <li>• 39% of new loans are taken out the day after the previous loan paid off; 87% of new loans are taken out in the same two week pay period that previous loan is paid off</li> </ul>
<b>Michigan</b> <sup>18</sup> *13 month time period as reported by regulator	<ul style="list-style-type: none"> <li>• \$600 maximum loan amount</li> <li>• No more than two loans outstanding at a time (can only have one loan outstanding per lender)</li> <li>• Maximum fee of 15% for 1<sup>st</sup> \$100 borrowed; 14% for 2<sup>nd</sup> \$100; 13% for 3<sup>rd</sup> \$100; 12% for 4<sup>th</sup> \$100; and 11% for 5<sup>th</sup> and 6<sup>th</sup> \$100</li> <li>• Payment plan option</li> <li>• Rollovers prohibited</li> <li>• Database</li> </ul>	<ul style="list-style-type: none"> <li>• 94% of loans go to borrowers with five or more transactions*</li> <li>• 77% of loans go to borrowers with 12 or more transactions*</li> <li>• Average of 8 loans per borrower</li> <li>• 2% of eligible transactions employ payment plan</li> </ul>
<b>Oklahoma</b> <sup>19</sup>	<ul style="list-style-type: none"> <li>• \$500 maximum loan amount</li> <li>• No more than two outstanding loans at a time</li> <li>• \$15 per \$100 maximum fee on loans up to \$300; \$10 per \$100 maximum fee on loans of \$301-500</li> <li>• Two business day cooling off period after 5th consecutive loan</li> <li>• Payment plan option available after 3rd consecutive loan</li> <li>• Rollovers prohibited</li> <li>• Database</li> </ul>	<ul style="list-style-type: none"> <li>• 91% of loans go to borrowers with five or more transactions per year</li> <li>• 64% of loans go to borrowers with 12 or more transactions per year</li> <li>• Average of 9 loans per borrower</li> <li>• Less than 2% of eligible transactions employ payment plan</li> <li>• 59% of new loans are taken out the day after the previous loan paid off; 88% of new loans are taken out in the same two week pay period that previous loan is paid off</li> </ul>
<b>Washington</b> <sup>20</sup>	<ul style="list-style-type: none"> <li>• Cannot borrow more than \$700 from a single lender at one time</li> <li>• \$15 per \$100 maximum fee on loans up to \$500, then \$10 per \$100 on remaining portion of loan up to \$700</li> <li>• Payment plan option available after 4th consecutive loan with same company</li> <li>• Rollovers prohibited</li> </ul>	<ul style="list-style-type: none"> <li>• 89% of loans go to borrowers with five or more transactions per year</li> <li>• 56% of loans go to borrowers with 12 or more transactions per year</li> <li>• Average of 8 loans per borrower</li> <li>• 1.2% of all transactions employ the payment plan option</li> </ul>

**APPENDIX 4: States with reasonable small loan interest rate caps**

State	Maximum Annual Interest Allowable <sup>21</sup>
Arizona	36%
Arkansas	17%
Connecticut	30%
District of Columbia	24%
Georgia	60%
Maine	30%
Maryland	33%
Massachusetts	23%
New Hampshire	36%
New Jersey	30%
New York	25%
North Carolina	36%
Ohio	28%
Oregon	36%
Pennsylvania	24%
Vermont	18%
West Virginia	31%

<sup>1</sup> See Mississippi Department of Banking and Consumer Finance “Mississippi Check Cashers Regulations” February 20, 2003. In Mississippi, 7 day payday loans carry an 1144% APR, 14 day payday loans carry a 572% APR, and 30 day payday loans carry a 267% APR.

<sup>2</sup> Summarizing all available state regulator data, the Center for Responsible Lending reports a national average of 8.7 loans per borrower per year. See Uriah King and Leslie Parrish, *Springing the Debt Trap*, Center for Responsible Lending (December 13, 2007). Pat Cirillo of Cypress Research Group, in testimony to the Ohio House Committee on Financial Institutions, Real Estate and Securities, January 31, 2008 noted that “...if you look at the cycle, the amount of time that folks tend to use this product, they are in and out of it really for about 18 months.” Transcript on file with the Center for Responsible Lending.

<sup>3</sup> For more details, see Mississippi Code of 1972, as amended . § 75-67-501 et seq.

<sup>4</sup> 955 of these 968 licensees have a storefront presence in Mississippi, the others are licensed to conduct transactions with state residents, but are located elsewhere.

<sup>5</sup> For example, Advance America, Check ‘N Go, QC Holdings, and Check into Cash all charge the maximum allowable fee in Mississippi, \$21.95 per \$100 borrowed.

<sup>6</sup> Regulator data from Florida and Oklahoma (the only state with this level of detailed data available) shows that 39% and 59% of repeat payday transactions, respectively, are opened at the borrower’s first opportunity. In addition, at least 87% of new loans are originated before the borrower receives their next paycheck. See Leslie Parrish and Uriah King, *Phantom Demand: Short-term due date generates need for repeat payday loans, accounting for 76% of total volume*, Center for Responsible Lending (July 2009).

<b>\$350 Loan</b>	
Fee of \$21.95 per \$100 borrowed	\$76.83
Total fees paid with nine loans	\$691.43
Total fees plus principal due to payday lender \$691.43 (fees)+ \$350 (principal)	\$1041.43

---

<sup>7</sup> Leslie Parrish and Uriah King, *Phantom Demand: Short-term due date generates need for repeat payday loans, accounting for 76% of total volume*, Center for Responsible Lending (July 2009).

<sup>8</sup> Uriah King and Leslie Parrish, *Springing the Debt Trap*, Center for Responsible Lending (December 13, 2007).

<sup>9</sup> Jeff Shapiro, "Payday-loan fights loom." *The Richmond Times-Dispatch* (February 29, 2008).

<sup>10</sup> Dan Feehan, CEO of Cash America, remarks made at Jefferies Financial Services Conference (June 20, 2007). Transcript on file with the Center for Responsible Lending.

<sup>11</sup> High-cost payday loans are not available in the following states/jurisdictions: Arizona, Arkansas, Connecticut, the District of Columbia, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Vermont, and West Virginia.

<sup>12</sup> The Military Lending Act, which caps interest rates on small loans of 91 days or less to active duty military and their dependents was part of the John Warner National Defense Authorization Act for Fiscal Year 2007, signed into law in October 2006. The interest rate cap took effect October 1, 2007.

<sup>13</sup> According to the Florida regulator, 39% of repeat payday transactions happen as soon as the 24 hour cooling-off period expires and 87% of transactions are originated before the borrower receives their next paycheck. Leslie Parrish and Uriah King, *Phantom Demand: Short-term due date generates need for repeat payday loans, accounting for 76% of total volume*, Center for Responsible Lending (July 2009).

<sup>14</sup> 2000 Census data.

<sup>15</sup> This is estimated by multiplying the number of licensees by the national median loan size (\$350) by the national average loans per store (3,643).

<sup>16</sup> Assuming a fee of \$21.95 per \$100 borrowed.

<sup>17</sup> *Florida Trends in Deferred Presentment*, Prepared by Veritec Solutions LLC for the Florida Department of Banking and Finance (August 2007). Summary calculations by the Center for Responsible Lending.

<sup>18</sup> *Michigan Trends in Deferred Presentment*, Prepared by Veritec Solutions LLC for the Michigan Office of Financial and Insurance Services (July 31, 2007). Summary calculations by the Center for Responsible Lending.

<sup>19</sup> *Oklahoma Trends in Deferred Deposit Lending*, prepared by Veritec Solutions LLC for the Oklahoma Department of Consumer Credit (May 2007). Summary calculations by the Center for Responsible Lending.

<sup>20</sup> Data is based on reporting from 92% of the industry. See *2006 Payday Lending Report*. Washington State Department of Financial Institutions (2007). Summary calculations by the Center for Responsible Lending.

<sup>21</sup> For more information on interest rate caps on small loans by state, see [www.paydayloaninfo.org](http://www.paydayloaninfo.org), maintained by the Consumer Federation of America.