



Payday Loans: Easy In, Not So Easy Out

A borrower's story

CRL Borrower Story
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BORROWER PAYS \$800 MONTH IN INTEREST FOR NO NEW MONEY

Stephanie Singleton's number one priority these days is holding onto the home she shares with her 12-year-old son and 14-year-old daughter, a prospect that has been called into question since she got into trouble with payday loans.

"They're easy to get into, but very hard to get out of," Ms. Singleton wants people to know. Before she knew what was happening, she was having to pay \$800 per month in interest fees on several payday loans. None of that money was going to pay down the principal.

Ms. Singleton, who has worked in administration in a Charlotte hospital for 2 ½ years, found it easy to qualify for her first payday loan – it was a matter of filling out an application, and providing a paystub and an ATM slip showing she had a balance in her bank account. She doesn't remember her exact need early last year, but guesses she was short on bill money. She paid her loan back the first time when it was due on payday, but a few days later came up short again, so she took out another loan.

The second time, the clerk at the payday loan store said, "you know you don't have to pay this off, you can renew every time." So, rather than pay off the loan and be short on her bills, Ms. Singleton paid the interest fee again without paying down the principal, and carried the loan over for another pay period.

She was able to keep up with the fees until June, when she and her fiancée broke up, and she needed cash quickly as a down payment for a car. She took out a second payday loan. Soon she found herself in financial trouble.

"I was paying the fees, but still coming up short on bills. So I got a loan from another lender just to pay the fees on my other loans. I ended up with several loans from different payday lenders, struggling to pay the interest every two weeks so I wouldn't default, because if I did they would have passed my check to the bank."

Ms. Singleton was coming up short on her car payment and mortgage payment, while running around town every payday in terror, trying to keep up with the fees on her payday loans. On a loan from Advance America, and a loan from Check 'N

About the Center for Responsible Lending

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Go, she was paying \$90 each payday. Her interest fees were slightly less at other payday lenders, but Ms. Singleton got to the point that she was paying \$800 per month just in interest fees, without paying down the principals of her loans.

Ms. Singleton went to a credit counselor. She contemplated stopping payment on her checks, but feared going to jail if she made such a move.

“The payday lenders were not willing to work with me, even after I talked to them about my situation following the advice of my credit counselor,” she said. One payday lender threatened to send her check to the magistrate’s office, and to take her to court for writing a bad check, she said.

Ms. Singleton has now been in the debt trap for several months, and, after paying thousands in interest fees, still owes \$3,000 in principal on the loans. She finds she needs the help of an attorney to get out of the debt trap caused by these loans.