

FINANCIAL FAIRNESS FOR ALL

THE CASE AGAINST PAYDAY LENDING

Like many things that sound too good to be true, small dollar payday loans are promoted with misleading marketing that disguises their big costs. Lured by promises of easy approval and no credit checks, consumers soon discover they are entrapped in a cycle of debt that becomes worse with every loan renewal. In the end, nearly all borrowers find these loans leave them financially worse off than before.

Although 14 states and the District of Columbia have enacted interest rate caps, millions of Americans still lack financial protection against the debt trap created by payday loans. In states where payday loans are legal, consumers with the fewest financial resources are exploited the most. Many borrowers turn to family, friends and community-based organizations to finally break payday lending's debt trap.

Entire communities and states, not just individual borrowers, bear the brunt of this form of predatory lending. CRL research has documented that each year state economies lose as much as \$770 million or more due to payday lending.



FAST FACTS

OVER \$3.4 BILLION in excessive fees are drained from payday borrowers each year.

OVER 75 % OF THESE FEES are generated by borrowers with more than 10 loans a year.

391% IS THE NATIONAL AVERAGE PAYDAY LOAN FEE and can run AS HIGH AS 564% annual percentage rate (APR).

NEARLY ONE IN FOUR payday borrowers rely on either public assistance or retirement benefits as an income source.

PAYDAY BORROWERS are more likely to **EXPERIENCE BANKRUPTCY, delinquencies on other bills and delayed medical care.**

Reforms to End the Payday Debt Trap

Just as everyday Americans vigilantly pushed for fair housing, access to public accommodations and the right to vote, consumers must now be just as vigilant in preserving their finances. Financial reforms that protect consumers' monies and their credit deserve everyone's support:

- Urge the Consumer Financial Protection Bureau to:
 - ✓ Place limits on the amount of time a borrower can be kept in payday loan debt.
 - ✓ Require payday lenders to determine if borrowers have the ability to repay their loan and cover their living expenses without re-borrowing.
- Urge state and federal lawmakers to use their power to give all consumers the same protection that now applies to active-duty military members: a 36% rate cap. Once laws are enacted, regulators at all levels must respect and enforce laws, and when warranted, appropriately pursue fines and consumer restitution.



Payday loans don't solve a financial emergency; they create a new one every two weeks.

- Diane Standaert, CRL director of state policy



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