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Center for Responsible Lending

Down the Drain: Payday Lenders Take $2.4 Billion in Fees from Borrowers in One Year

Lucia Constantine, Senior Researcher

Yasmin Farahi, Deputy Director of State Policy & Senior Policy Counsel

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About The Center for Responsible Lending (CRL)

The Center for Responsible Lending (CRL) is a non-partisan, nonprofit research and policy advocacy organization working to promote financial fairness and economic opportunity for all, end predatory lending, and close the racial wealth gap. CRL's expertise gives it trusted insight to evaluate the impact of financial products and policies on the wealth and economic stability of families of color, women, rural, military, low-wage, low-wealth, and early-career workers and communities. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. We work in partnership with national and local consumer, faith, and civil rights organizations.

About the Authors

Lucia Constantine is a senior researcher at the Center for Responsible Lending. Prior to working with CRL, Lucia was a senior policy analyst at the North Carolina Housing Finance Agency, where she performed data analysis and research to understand gaps in affordable housing across the state and inform use of state and federal funds. Before her work in affordable housing, she spent her early career in nonprofits and higher education, focused on issues related to immigration, civic engagement, and economic development. She graduated with a bachelor's degree in human biology from Stanford University and a master's degree in city and regional planning from the University of North Carolina-Chapel Hill.

Yasmin Farahi is a deputy director of state policy and senior policy counsel based out of CRL's Durham, North Carolina office. She advises local organizations and lawmakers that are working to eliminate abusive lending practices in their states, with a particular focus on small dollar lending and student loans. Prior to joining CRL, Yasmin was a civil rights attorney at Disability Rights NC working with clients who faced barriers to full participation in community life. She was also a consumer protection and employment law attorney at Legal Services of Southern Piedmont in Charlotte, NC, where she focused on helping homeowners facing foreclosure during the financial crisis. Yasmin graduated with honors from NC State University with degrees in political science and philosophy and received her law degree from New York University School of Law.

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Executive Summary

In the 30 states that allow payday lending, single-payment and payday installment loans drained more than $2.4 billion in fees in a single year from low-income borrowers. In 2022 alone, borrowers took out over 20 million loans, for a total of nearly $8.6 billion. Because reliable estimates of online payday lending volumes are not publicly available, these figures primarily reflect storefront lending, and the true cost of payday loans is likely significantly higher. Through storefronts and online, these predatory lenders continue to trap millions of Americans in debt and stifle economic growth in states without debt trap protections.

Payday loans are small loans, typically less than $500, with triple-digit interest rates—nearly 400% Annual Percentage Rate (APR) on average—that are usually due on the borrower's next payday.[1] These loans are repaid by a personal check held for deposit or, more commonly, electronic access to a bank account. Lenders market payday loans as quick cash to cover a financial emergency, but research demonstrates they often lead to a cycle of debt that is nearly impossible to escape. Due to the unaffordable and predatory nature of these loans, most borrowers end up reborrowing multiple times and paying more in fees than they originally received in credit.

This brief provides an update on the economic impact of payday lending across states and builds upon previous reports by the Center for Responsible Lending, most recently, *Debt Trap Drives the Fee Drain.*[2] It offers an updated calculation on fees payday loan borrowers pay in each state, as well as some other statistics on the payday loan industry compiled from data received from state regulators and other sources.

Market Landscape

Market shifts precipitated by strengthened consumer protections and technological innovations have resulted in an overall decline in payday lending and consolidation in the industry over the past decade.[3] Between 2013 and 2019, overall single-payment payday loan volume declined 45% from $46 billion to $25 billion annually.[4] The COVID-19 pandemic caused payday loan volume to decline even further—by as much as 60% between 2019 and 2020—and accelerated the shift to online lending.[5] While the payday loan industry has always had a mixture of independently owned storefronts and major companies, national storefront operators have undergone considerable consolidation through sales, acquisitions, and mergers. Four companies— Advance America (acquired by Grupo Elektra), Ace Cash Express, Community Choice Financial, and LendNation—operate the majority of storefronts, while also offering online lending.

As national payday lenders have continued to close storefronts across the country, the market share of online payday lending has increased. By 2019, online lending accounted for 41% of single-payment payday loan volume nationally.[6] However, online lending is difficult to track at the state level, with only two states—California and Alaska— collecting and reporting any statistics. The share of online payday volume in Alaska has increased from 55% in 2019 to 57% in 2022.[7] In California, 25% of payday loans were online in 2019 compared to 49% in 2022.[8] Beyond the impacts of the pandemic, the alternative financial services market has shifted online and expanded to include underregulated products like installment loans, earned wage advance, and buy now pay later. "Rent-a-bank" schemes, in which a non-bank company uses an out-of-state bank to offer loans that evade state usury caps, have also made payday lending more readily available, even in states with legal protections.

Although payday volume declined during the pandemic, the updated numbers in this brief reflect a rebound in activity. CRL found that payday lending drained $2.2 billion in fees in prior research relying on data from 2021. Many households experienced increased savings and financial stability due to the expanded benefits, increased assistance, and stimulus checks distributed in 2020 and 2021.[9] However, those gains have proven temporary for low- and moderate-income consumers. The end of pandemic support coupled with persistently high inflation strained consumers' finances, making it harder to pay bills and manage everyday expenses. A report by the CFPB shows the percentage of consumers using payday loans increased from 3.5% in 2021 to 4.7% in 2023.[10] Several states in our analysis—notably California, Florida, and Texas—also showed a growth trend in payday loan volume.

Methodology

In reporting the costs of payday lending, we relied primarily on data that the respective state regulators made available. Each state regulator has different data collection and reporting requirements for licensed lenders, if they have requirements at all. We made public records requests from June through September 2024, and we used data provided by regulators for 2022. When regulator data were not available, we estimated loan and fee volumes using a similar methodology to CRL's 2013 *State of Lending* report and subsequent reports.[11,12] We have included additional statistics when provided by regulators to provide additional insight into payday lending. A more detailed methodology is available in the Appendix.

Our figures include fee totals for both single-payment loans and longer-term payday installment loans, as reported by state regulators. The fee drain estimates in this brief are conservative for the following reasons: First, the reported figures for fees drained do not include the costs of longer-term loans in every state where they are made, because not all states collected or provided that information. We have included fees only for states in which the data are reported to the state regulators under payday loan reporting statutes. Second, except for California and Alaska, the fees provided here do not include the vast majority of payday loans made by online lenders. Although storefront lenders remain a significant presence across the states where they operate, internet lending is a burgeoning sector of the industry that state consumer finance regulatory agencies are not monitoring, with few exceptions.

The Debt Trap Drives the Fee Drain

With high fees, short terms, and often a single balloon payment, payday loans are structured to trap borrowers in unaffordable debt. Payday lenders typically charge the maximum possible rate allowed in a state. A typical two-week payday loan has an APR of nearly 400%.[13] In some states, the annual percentage rate can exceed 600%.[14] The majority of payday loan borrowers, who are already in financial distress, will be unable to repay the loan when it's due. As a result, they will either rollover or renew the original loans and end up paying additional interest and fees. According to the Consumer Financial Protection Bureau (CFPB), 80% of payday loans are rolled over or reborrowed within 14 days.[15] A handful of states collect and share information on rollovers and refinances.

Table 1. Average Number of Loans Per Borrowers in States that Report Borrowing Rates

State	Average Number of Loans Per Borrower	Unique Borrowers
Alaska	4.8	8,946
California	6.0	900,344
Florida	5.2	131,846
Kentucky	9.6	109,352

Source: Compilation of state regulator data as obtained by Center for Responsible Lending.
Data unavailable for other states

Reborrowing is a key feature of the payday lending industry and what makes these loans profitable for lenders and harmful for consumers. The CFPB found 75% of all payday loan fees are generated from borrowers with more than 10 loans a year.[16] California reported a similar figure in 2022, with 72% of fees coming from customers who had seven or more loans during the year.[17] No other state collects similar information. Some states collect the share of customers or transactions by number of loans. For example, Florida reported that borrowers with 10 or more loans account for 16% of borrowers but 42% of transactions.[18]

72% of payday loan fees in California are generated from borrowers with seven or more loans.

Despite the well-documented harms, payday lending continues to extract billions in fees from consumers across the country, especially in communities of color. Previous research from CRL and others has demonstrated that payday lenders are concentrated in Black and Latino neighborhoods—the same communities that have been systemically excluded and underserved by the traditional banking system.[19] A 2020 poll found that Black consumers were twice as likely as white consumers to live within a mile from either a payday lender or a pawnshop.[20] Subsequently, Black and Latino households reported using payday loans at nearly three times the rate of white households in 2023.[21] Predatory lending like payday strips individuals and families of their income and wealth while reinforcing systemic inequities in communities.

Payday Lending Drained $2.4 Billion from Consumers in States with No Protections

Estimates provided by state financial regulators and calculated by CRL show that the millions of payday loans taken out in 2022 drained $2.4 billion in fees from consumers. California, Texas and Florida—states with the largest populations—accounted for 51% of the loans, 54% of the loan volume, and 73% of the fee drain.[22] Those same states also have the most robust reporting requirements for licensed payday lenders and therefore serve as bellwethers for the industry. Notably, fee volume increased in all three states between 2021 and 2022: 20% in California, 22% in Texas, and 17% in Florida.[23] Of the 30 states that allow payday lending, only 10 collected and provided data on the fee volume generated from payday lending. While many states provided some data, eight states did not collect or provide any information, so our estimates rely on assumptions drawn from previous research. Better data collection and annual reporting are needed to provide a clearer picture of the payday lending industry and its impacts on borrowers.

Table 2. Payday Loan Volume and Fee Drain in States Without Debt Trap Protections

State	Number of Loans	Source	Loan Volume	Source	Fees	Source
Alabama	810,148	Regulator	$306,106,320	Estimated	$53,469,768	Estimated
Alaska	43,120	Estimated	$19,302,312	Regulator	$3,108,652	Estimated
California	5,359,132	Regulator	$1,506,009,181	Regulator	$224,773,091	Regulator
Delaware	47	Regulator	$23,000	Regulator	$7,000	Regulator
Florida	3,579,443	Regulator	$1,670,000,000	Regulator	$252,000,000	Regulator
Hawaii	25,808	Imputed	$9,032,800	Imputed	$2,090,448	Imputed
Idaho	99,331	Regulator	$19,078,484	Regulator	$3,819,277	Estimated
Indiana	864,568	Imputed	$302,598,800	Imputed	$49,280,376	Imputed
Iowa	361,390	Regulator	$141,385,184	Regulator	$16,110,766	Estimated
Kansas	249,265	Regulator	$100,105,358	Regulator	$15,015,724	Estimated
Kentucky	1,050,272	Regulator	$391,000,000	Regulator	$68,700,000	Regulator
Louisiana	800,048	Imputed	$280,016,800	Imputed	$36,002,160	Imputed
Maine	9,678	Imputed	$3,387,300	Imputed	$241,950	Imputed
Michigan	1,242,943	Regulator	$610,509,982	Regulator	$78,815,016	Estimated
Mississippi	1,945,278	Imputed	$680,847,300	Imputed	$149,455,709	Imputed
Missouri	226,725	Regulator	$69,679,394	Estimated	$9,755,977	Estimated
Nevada	166,000	Regulator	$71,641,000	Regulator	$11,191,000	Regulator
North Dakota	42,208	Regulator	$15,400,000	Regulator	$3,100,000	Regulator
Ohio	278,424	Regulator	$138,140,556	Regulator	$30,869,732	Regulator
Oklahoma	38,150	Imputed	$13,352,500	Imputed	$2,098,250	Imputed
Oregon	123,117	Regulator	$37,684,737	Regulator	$4,385,428	Estimated
Rhode Island	80,650	Imputed	$28,227,500	Imputed	$2,822,750	Imputed
South Carolina	149,468	Regulator	$65,800,000	Regulator	$9,900,000	Estimated
Tennessee	1,017,512	Regulator	$287,414,106	Regulator	$43,040,758	Estimated
Texas	1,681,333	Regulator	$1,479,020,574	Regulator	$1,306,614,351	Regulator
Utah	283,888	Estimated	$123,491,280	Imputed	$31,937,400	Imputed
Virginia	29,138	Regulator	$19,429,080	Regulator	$7,076,200	Regulator
Washington	300,750	Regulator	$136,186,885	Regulator	$17,472,145	Regulator
Wisconsin	5,808	Regulator	$2,130,491	Estimated	$549,379	Estimated
Wyoming	107,194	Regulator	$63,777,407	Regulator	$8,371,851	Estimated
Grand Total	**20,970,836**		**$8,590,778,331**		**$2,442,075,256**	

Source: Compilation of state regulator data as obtained by Center for Responsible Lending.

Notes: With regards to sources, "regulator" indicates a metric directly reported by the state regulator. "Imputed" refers to a metric that is imputed from other data directly reported by the regulator, and "estimated" means a metric calculated using the assumptions detailed in the Appendix.

State & Federal Policymakers Can Stop the Debt Trap

In one year, Minnesotans have saved millions in fees due to the strong rate cap law and enforcement of these laws against high-cost online lenders.

Currently, 20 states and the District of Columbia enforce rate caps of 36% APR or less on payday loans, ensuring their residents are not losing billions of dollars annually to predatory loan products.[24, 25] In January 2024, Minnesota became the most recent state to implement a rate cap.[26] Before the cap passed, the Minnesota Department of Commerce reported 160,050 payday loans in 2022 that drained over $4.5 million in fees from the state.[27] In one year, Minnesotans have saved millions in fees due to the strong rate cap law and enforcement of these laws against high-cost online lenders.[28] States without protections for consumers should follow suit, enacting and enforcing rate caps to protect consumers from the debt trap.

Rate caps provide states with the necessary tools to prevent predatory lending practices like payday lending, both in storefronts and online.[29] Within state statutes, CRL recommends that policymakers include language protecting against rent-a-bank evasion of state usury caps. Lawmakers should also pass legislation opting out of a provision of federal law being exploited by predatory lenders and banks to export interest rates across the country and skirt state laws meant to protect borrowers from abusive high-rate lending. Passing such reforms gives states powerful tools to enforce their lending laws to protect their consumers from predatory, high-cost loans.[30]

Federal regulators such as the CFPB, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) should continue to enforce existing laws and monitor lenders to protect consumers from predatory, high-cost consumer loans. A 2024 poll conducted by a bipartisan research firm shows that voters overwhelmingly support a range of specific consumer protection policies, including lowering interest rates and closing loopholes in regulating financial services and products.[31] Support for these policies and the mission of the CFPB is broad and consistent regardless of party affiliation. In addition, Congress can expand the Military Lending Act to all consumers and enact a federal rate cap of 36% APR or less, while still allowing states to enact and enforce stronger state laws. These popular and effective reforms should be implemented and enforced consistently to prevent additional resources being drained from working families and communities across the country.

Appendix

We requested the following variables from state regulators on single-payment and installment payday lending:

- Total loan volume
- Total number of loans
- Average loan amount
- Average finance charge
- Average APR
- Average loan term
- Active licensed lenders or number of establishments
- Average number of loans per store
- Percentage of online volume vs. in-store

Some states have more robust reporting requirements and provided additional data on borrowers, defaults, and other variables.

When regulator data were unavailable, we estimated the fee volume using the following calculations and assumptions:

- For states that did not report loan volume, we used average loan size, average number of loans per store, and the number of stores in the state to make an estimate.
    - **Average loan size:** For payday lending, we used $350, which was reported as the median loan size in a 2013 CFPB report, *Payday Loans and Deposit Advance Products*.
    - **Average number of loans per store:** We calculated a weighted mean using figures from states that provided data. This weighted mean is 3,226 loans per storefront for payday lending.
    - **Number of storefronts:** We used the latest counts associated with the Standard Industrial Classification (SIC) codes "Payday Loans" from ReferenceUSA. To further refine storefront counts, we cross-referenced Google Maps and corporate websites.
- For states that did not report total fees, we estimated this figure by using the statutory maximum rate, because the evidence shows payday lenders charge the maximum allowable amount. For states with no statutory maximum (Nevada and Utah), we used the median rate charged by storefront payday lenders that publish their rates.

Endnotes

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The Center for Responsible Lending (CRL) is working to ensure a fair, inclusive financial marketplace that creates opportunities for all responsible borrowers, regardless of their income, because too many hard-working people are deceived by dishonest and harmful lending practices.

CRL is a nonprofit, non-partisan organization that works to protect homeownership and family wealth by fighting predatory lending practices. Our focus is on consumer lending: primarily mortgages, payday loans, credit cards, bank overdrafts, and auto loans.

North Carolina

302 West Main Street
Durham, NC 27701

Ph (919) 313-8500
Fax (919) 313-8595

California

1970 Broadway
Suite 350
Oakland, CA 94612

Ph (510) 379-5500
Fax (510) 893-9300

District of Columbia

910 17th Street NW
Suite 500
Washington, DC 20006

Ph (202) 349-1850
Fax (202) 289-9009

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