

Payday Loan Talking Points Coalition Against Abusive Lending

“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.”

Dan Freehan, CEO, Cash America at Jeffries
Financial Services Conference June 2007

The Real Story – Payday Loans are a Debt Trap

- Payday loans are meant to be used for one time emergencies. In reality only about 1% of loans are made to one time borrowers.
- The average borrower in Iowa takes out about 12 loans a year, significantly higher than the national average of 8.7 loans per borrower.
- More than 6% of Iowa borrowers take out a loan every 2 weeks
- Nationally 99% of payday loans go to repeat borrowers
- Nationally 91% of payday loan business is from people with 5 or more loans per year

The Voters Know

- Last year Ohio passed a 28% APR cap on payday loans. The payday loan industry invested about \$15 million on a ballot issue to reverse the legislation. The voters approved continuing the 28% cap legislation by over a 60% majority.
- Arizona’s law allowing triple digit payday loan rates is set to expire in 2010. The payday loan industry invested almost \$15 million in a ballot issue to prevent the expiration of triple digit payday loan rates. The voters overwhelmingly voted to let the triple digit payday loan rates expire.

One Iowan’s Story

The Iowa Independent reported on Tammy from Newton ... Paying of \$125 loan with \$19.44 in fees (405.46% APR) ... Started out taking payday loans only occasionally but now takes out payday loans year round, taking 25 loans a year ... After a year Tammy paid \$486 in fees ($\$19.44 \times 25 = \486) and she still owes the same \$125

Roll over bans don’t work

- Payday lenders let borrowers pay one loan and immediately take out another (back to back or serial transactions)
- Iowa prevents rollovers but borrowers still average 12 loans a year (half their paydays)

Databases don’t work ... 8 states

- Florida, Oklahoma, North Dakota, Michigan, Illinois, Alabama, Colorado, and Washington require databases
- Oklahoma averages 8 loan flips or back to back loans per year
- Florida averages 7 loan flips or back to back loans per year
- 90% of payday loans in Oklahoma and Florida go to borrowers with 5 or more loans per year

Repayment plans don't work ... 8 states all voluntary

- Alabama, Alaska, Florida, Illinois, Michigan, Nevada, Oklahoma, and Washington have repayment plan provisions
- Oklahoma borrowers average 9 loans a year and 91% of loans go to people with 5 or more loans per year ... 0.39% use repayment plans
- Washington averages 8 loans per year with 90% of loans to people with 5 or more loans per year ...0.8% use repayment plans
- Florida ... less than 0.51% use repayment plans

Payday loan alternatives

- One third of US citizens don't have access to payday loans
- Borrow from family or friends
- credit card cash advances
- negotiate with creditors
- delay unnecessary purchases
- small loans from credit unions or finance companies ... in NC consumer loans of \$600 or less increased by 37% when payday lenders left the state

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