Get The Facts on Payday Lending

Who are the consumers (customers) of small dollar loans?

Payday loans are among the most predatory forms of credit on the market. Payday lenders target communities of color, low-wage workers and those already struggling the most to get by. Most payday borrowers make less than $30,000 a year and nearly half default on a payday loan — compared to only 3 percent of standard bank loan borrowers — despite the fact that most of those who default actually pay fees in excess of the original principle.[1]

What do we know about them and their financial situation?

Payday customers are veterans, women, students, people of color; the elderly. They are people who are most at-risk for financial distress, and when the business model of payday lending is premised on trapping people in debt in order to facilitate a cycle of loans, these are the people who are most hurt. Payday loans are often associated with increased overdraft fees, bank account closures, and bankruptcy.

As Hilary Miller, chairman of the payday lender-funded Consumer Credit Research Foundation (CCRF), admitted in an email, "In practice, consumers mostly either roll over or default; very few actually repay their loans in cash on the due date."[2] This is why payday loans are often referred to as a debt trap.

How will the CFPB's proposed rule impact these consumers' access to credit?

The Consumer Financial Protection Bureau is proposing a rule to allow customers to access safe credit, not credit that will trap them in a seemingly never-ending cycle of debt. The CFPB is proposing safeguards in the rule to ensure that borrowers will be set up for success in the credit market, making sure that they have the ability to repay their loans. This is critical so that families can stay financially healthy as opposed to having their bank accounts overdrafted and their credit destroyed.

What do the voters think about payday lending?

A national survey in June conducted by GBA Strategies found that voters overwhelmingly support the Consumer Financial Protection Bureau's rule on payday lending by a margin of 73-22 percent.[3] Moreover, the same survey found that only 3 percent of voters hold favorable views on payday lenders, making them even less popular than used car salesmen or Wall Street banks.[4]

1. Consumer Financial Protection Bureau. Payday Loans and Deposit Advance Products. April 24, 2013.
2. Huffington Post. Payday Loan Industry Admits "Very Few" Borrowers Repay Their Loans. Nov. 2, 2015.
3. GBA Strategies. National Survey Results: Overwhelming Support for the CFPB's Payday Lending Rule. June 10, 2016.
4. Ibid.

STOP THE DEBT TRAP

STOP PAYDAY PREDATORS

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