

STOP PAYDAY PREDATORS

PAYDAY LENDERS ARE PREYING ON FLORIDIANS

Payday loans are among the most predatory forms of credit on the market. Though they are marketed as having “reasonable” fees or charges, typical interest rates exceed 300 percent. And because the payday lenders’ bottom line actually depends on borrowers’ inability to repay — most payday fees come from borrowers who take out more than 10 loans a year — they target people with low incomes and no other options.¹

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.**² Payday loans trap people in cycles of debt that drain local economies and result in a cascade of financial consequences, such as increased overdraft fees, delayed medical care, and even bankruptcy.

The negative effects of payday lending are evident in Florida.

- The average loan in Florida is higher than the national average, at \$399.35.³
- In Florida, the average payday borrower takes out about eight loans per year.⁴
- Payday lenders collect over \$300 million annually in fees alone in Florida; and, over the past 10 years, have cost Floridians \$2.5 billion.⁵
- Florida’s attempt to prevent consumers from falling into the debt trap has failed. **Over 80 percent of all payday transactions are due to borrowers stuck in a cycle of seven or more loans a year.**⁶
- There are nearly twice as many payday loan storefronts as there are Starbucks stores in the Sunshine State.⁷



Source: Center for Responsible Lending. *Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law*, March 2016

Payday Loans Take a Toll on Florida’s Economy.

Siphoning money out of poor communities and communities of color takes a serious toll on the economy. Money that could be spent building up local businesses or investing in communities is instead directed to never-ending fees. The negative consequences are measureable.

- **Florida has lost 2,150 jobs** due to the effects of payday loans.⁸
- Payday loans and their ripple effects have caused a loss of more than \$107 million in labor income.⁹
- Payday lending resulted in a net loss of over \$76 million in economic activity for the state.¹⁰

The Who and Where of Payday in Florida.

- Payday lenders prey on communities of color. Payday lenders are more than twice as prevalent in communities that are more than 50 percent black and Latino than they are in communities that are less than a quarter black and Latino.¹¹
- Accounting for income makes clear that **race, not income, is the biggest factor in determining where payday storefronts locate.** Payday storefronts are almost three times as likely to set up shop in high-minority upper-income neighborhoods than they are in low-minority upper-income neighborhoods.¹²
- Over the last 10 years, the share of payday borrowers aged 65 and older has more than doubled.¹³

The True Beneficiaries of Payday Loans.

When the deck is so clearly stacked against Floridians and favors the payday lenders, it becomes necessary to take a deeper look at who benefits from the debt trap.

■ Payday lenders contribute generously to the campaigns of Florida politicians in an effort to continue to enjoy the fruits of their labor.¹⁵

■ The top four recipients of payday industry campaign contributions in Florida received \$126,450 during the 2013-14 election cycle:

- Rep. Patrick Murphy received \$39,500.
- Rep. Alcee Hastings received \$35,000.
- Rep. Debbie Wasserman Schultz received \$31,250.
- Rep. Dennis Ross received \$20,700.

“I would take out a payday loan for emergencies and it would take me an entire year to pay it back. I would have to juggle all my other bills, causing more problems than I had in the beginning.”¹⁴

– *Erin from Daytona Beach*

Source: Talk Poverty. No, Florida Isn't a Model on Payday Lending, Jan 26, 2016.

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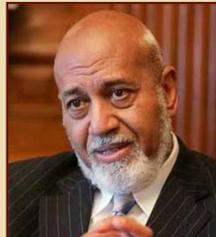


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“In practice, consumers mostly either roll over or default; very few actually repay their loans in cash on the due date.”

– *Hilary Miller, president of the Payday Loan Bar Association*

CHECK THE FACTS

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2. Politico. *The Government Loan Program With a 116 Percent Default Rate*. Feb 24, 2015.
3. Center for Responsible Lending. *Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law*, March 2016
4. Montezemolo, S. *Payday Lending Abuses and Predatory Practices*, Sept. 2013
5. Center for Responsible Lending. *Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law*, March 2016
6. Ibid
7. Ibid
8. Center on Race and Wealth. *The Economic Impact of Payday Lending in Economically Vulnerable Communities*, Dec. 2014
9. Ibid
10. Lohrentz, T. *The Net Economic Impact of Payday Lending in the U.S.*
11. Center for Responsible Lending. *Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law*, March 2016
12. Ibid
13. Ibid
14. <http://talkpoverty.org/2016/01/26/florida-not-model-payday-lending/>
15. Americans for Financial Reform. *Payday Pay-To-Play*, June 2015