STOP PAYDAY PREDATORS

PAYDAY LENDERS ARE PREYING ON ILLINOISANS

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.[1]

In Illinois, most payday borrowers make less than $30,000 a year. Across the country, nearly half of borrowers 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 principal.[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 Illinois:

- The average loan in Illinois is $365.[3]
- Payday lenders in Illinois charge an average annual percentage rate (APR) of 404 percent.[4]
- In Illinois, payday lenders make high-cost short-term and long-term payday loans, both of which come with triple-digit interest rates and cause borrowers to be trapped in unaffordable debt.
- Long-term payday loans in Illinois carry an average term of about five months, and on average, borrowers are stuck in more than three of these long-term payday loans each year.[5]

Illinoisans Lost

$270.2
Million in fees

$233.2
Million in fees

Over 503.5 million in fees on **payday** and **car title loans.**

Payday Loans and Other Debt Trap Loans Take a Toll on Illinois’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. Car title loans in Illinois also contribute to economic hardship.

- Payday lending in Illinois results in jobs lost and millions of dollars drained from the economy, according to a 2013 report.
- Payday lenders in Illinois collected more than $7 million in finance charges from Illinoisans in just one year on short-term payday loans.[7]
- In 2011, payday borrowers in Illinois paid more in interest than they received in principal for payday installment loans: $232.5 million paid as opposed to $223.1 million received.[8]
- Car title loans in Illinois average 212 percent APR. For the period between April 2009 and September 2012, the average title loan borrower paid $2,030 in fees to borrow $893.[9]
- Payday and car title lenders in Illinois collect over half a billion dollars annually.[10]

> “I had become a victim of payday lending; a victim of usury, and it took six years to pick up the pieces. I used to think it was my fault ...Then I found out through organizing that I was not alone. I was not the only victim these predators had trapped – other people were angry and fighting back and I joined the fight.”
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> **Candice Byrd, Bloomington Service**

The Who and Where of Payday in Illinois.

- In Illinois, there are more payday lending storefronts than there are McDonald's storefronts.[12]
- The typical payday borrower in Illinois has a monthly income of less than $2,600; and, over half of payday borrowers earn less than $30,000 annually.[13]
- There are over 721,000 veterans in Illinois who no longer receive protection from the Military Lending Act, which caps interest rates at 36 percent for active military.[14]

70 percent of Chicago's 125 payday lenders are located within a mile of areas where the per capita income is less than the city average of $28,500.[11]

The True Beneficiaries of Payday Loans.

When the deck is so clearly stacked against Illinoisans and favors the payday lending industry, it becomes necessary to take a deeper look at who benefits from these noxious practices.

- The payday industry makes its profits off the backs of hardworking Illinoisans.
- Payday lenders contribute generously to the campaigns of state politicians in an effort to continue to enjoy the fruits of Illinoisans' labor.
- Predatory lending companies contributed at least $2.5 million to candidates and state office committees between 2010 and 2014. [15]

The Payday and Title loan industry contributed at least $2.5 million to candidates for state office in Illinois between 2010-2014.

"The theory in the business is you've got to get that customer in, (and) work to turn him into a repetitive customer . . . that's really where the profitability is."

Dan Feehan, Cash America CEO[16]

CHECK THE FACTS

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