

STOP PAYDAY PREDATORS

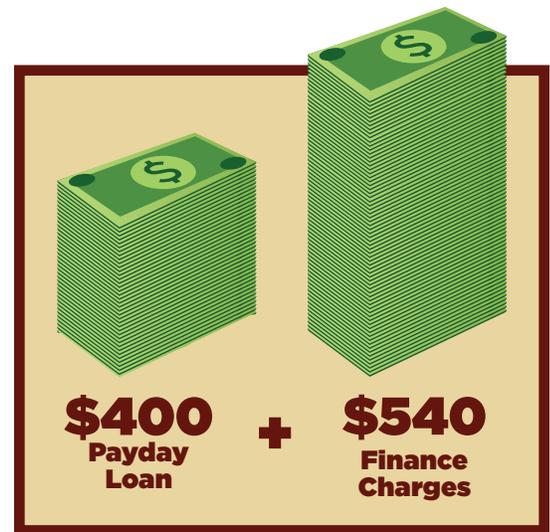
PAYDAY LENDERS ARE PREYING ON MICHIGANDERS

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

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 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 Michigan:

- The average loan in Michigan is \$320.³
- Payday lenders in Michigan charge an average annual percentage rate (APR) of 369 percent.⁴
- More than three in four payday borrowers took out 12 loans or more, and 94 percent of payday borrowers took out five loans or more during a 13 month period.⁵
- Nearly 10 percent of payday borrowers in Michigan took out 30 or more loans, which accounted for 27 percent of the industry’s total loans for that same period.⁶
- Given that the typical borrower is stuck in a cycle of 10 loans a year, a payday borrower in Michigan may pay as much as \$540 in fees on a \$400 loan.⁷



Payday Loans and Other Debt Trap Loans Take a Toll on Michigan’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 measurable.

- Payday lending in Michigan results in jobs lost and millions of dollars drained from the economy, according to a 2013 report.⁸
- In Michigan, 600 payday lending storefronts each issue about 3,000 loans a year. The overwhelming majority of these loans are used by the borrower to repay their prior loan.⁹
- Payday lenders in Michigan collected more than \$103 million in payday fees in 2015 alone.¹⁰

“Very high service fees, combined with a short repayment period, may cause customers to fall into a payday loan debt trap. Instead of short-term financial relief, the customer experiences perpetual indebtedness.”¹¹

Attorney General of Michigan’s website Service

The Who and Where of Payday in Michigan.

- A survey of Detroit households found that respondents using payday loans were more likely to file for bankruptcy, be evicted, or face utility shut-offs than respondents who had not taken a payday loan.¹²
- There are over 658,000 veterans in Michigan who no longer receive protection from the Military Lending Act, which caps interest rates at 36 percent for active military.¹³

“This payday lending catches you in a cycle . . . When it came to (tax) refund time, I didn't get my check. It was a very bad period in my life.”

Ken Whittaker, Detroit¹⁴

The True Beneficiaries of Payday Loans.

When the deck is so clearly stacked against Michiganders 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 Michiganders.
- Payday lenders contribute generously to the campaigns of state politicians in an effort to continue to enjoy the fruits of Michiganders' labor.
- The payday and title loan industry contributed at least \$263,000 to candidates and committees for state office in Michigan between 2010 and 2014.¹⁵



“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, CEO of Cash America¹⁵**

CHECK THE FACTS

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