



STOP PAYDAY PREDATORS

PAYDAY LENDERS ARE PREYING ON TENNESSEANS

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 Tennessee:

- The average loan in Tennessee is \$221.³
- Payday borrowers in Tennessee pay an average annual percentage rate (APR) of 426 percent.⁴
- The average payday borrower in Tennessee may pay as much as \$490 in fees to borrow \$300 for five months.⁵
- Payday lenders in Tennessee also offer dangerous long-term payday loans called “flex loans” that can result in borrowers paying over \$2,500 in fees on a \$500 loan over three years.⁶



Payday Loans and Other Debt Trap Loans Take a Toll on Tennessee’s Economy.

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

- Payday lending in Tennessee results in jobs lost and millions of dollars drained from the economy, according to a 2013 report.⁷
- Payday lenders in Tennessee collected \$176 million in fees and interest charges in 2015 alone.⁸
- Car title fees cost Tennesseans more than \$226 million in fees in 2015 alone.⁹

“There are certain corridors where I don’t see them, and so I think they’re primarily targeting minority communities and communities where we have a lot [of] immigrants ... You don’t see them down West End. You see them targeting specific areas.”

Jacobia Dowell, Antioch-area Councilwoman.¹⁰

The Who and Where of Payday in Tennessee.

- There are nearly five times as many payday lending storefronts in Tennessee as there are McDonald's storefronts.¹¹
- Tennessee has the second most in-state payday lenders in the nation.¹²
- There are over 500,000 veterans in Tennessee who no longer receive protection from the Military Lending Act, which caps interest rates at 36 percent for active military.¹³

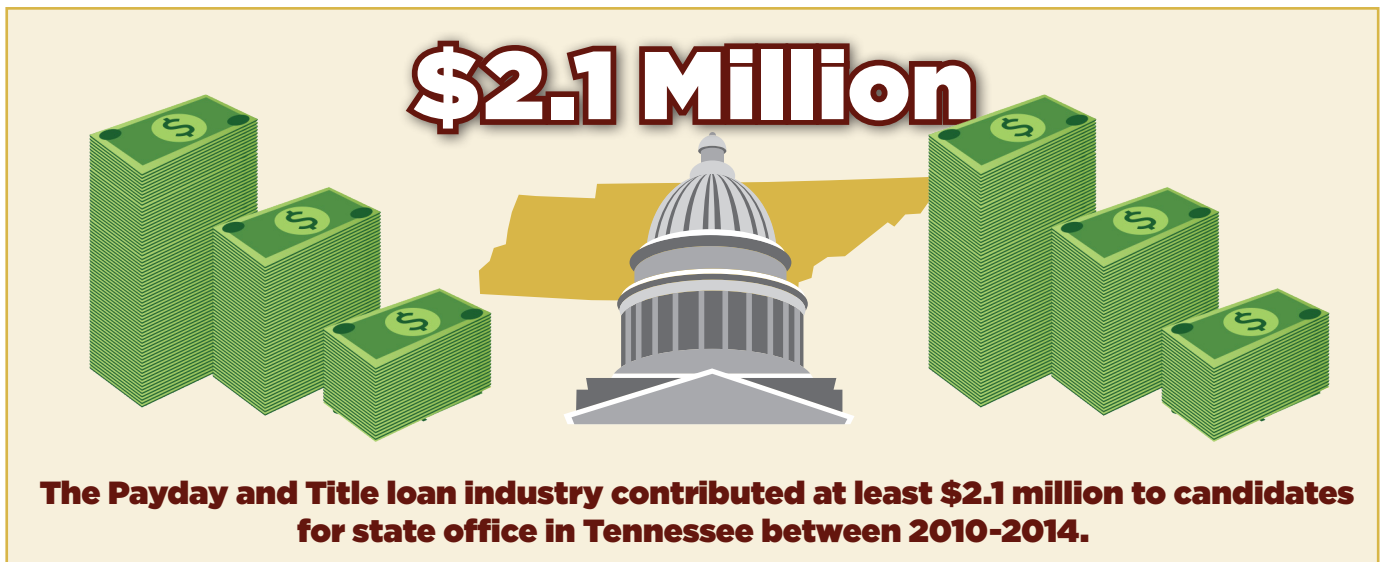
"All of a sudden, our payment is over \$2,000 for what we owe when that's never what we took. If they're going to continue to get higher payments each month, I'll never get out of that hole."

Joshua Hause, Fort Campbell veteran¹⁴

The True Beneficiaries of Payday Loans.

When the deck is so clearly stacked against Tennesseans 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 Tennesseans.
- Payday lenders contribute generously to the campaigns of state politicians in an effort to continue to enjoy the fruits of Tennesseans' labor.
- The payday and title loan industry contributed at least \$2.1 million to candidates and committees for state office in Tennessee 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**

Check the Facts

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