

STOP PAYDAY PREDATORS

PAYDAY LENDERS ARE PREYING ON VETERANS

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 income.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 **average payday loan is \$350** and is advertised as a short-term fix meant to tide borrowers over until their next payday.³ However, because payday loans are due in full on the borrowers’ next payday, in order to repay the loan and pay the cost of living expenses, most borrowers are forced to take out another payday loan.⁴ This is the debt trap.

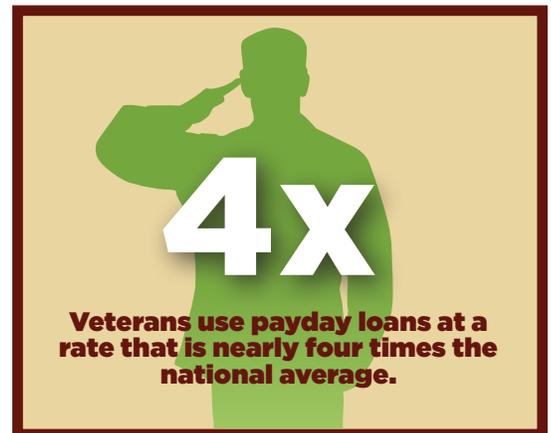
The negative aspects of payday lending disproportionately impact our veterans:

- Veterans use payday loans at a rate that is nearly four times the national average, according to a study conducted in Nevada.⁶
- The study found that one in five veterans in Nevada had taken out a payday loan.⁶
- Service members, veterans, and their families submitted 19,000 complaints about payday loans to the Consumer Financial Protection Bureau in one year alone.⁷
- Payday loans oftentimes exacerbate financial hardship, which is especially troubling given that there are about 1.4 million veterans at risk of homelessness.⁸

Payday lenders concentrate near military bases.

Predatory payday lenders put their profits first – even in front of American heroes like our veterans. The same people who put their lives on the line to protect our freedom and our families are the people that payday lenders target and ensnare in debt.

- Payday lenders target service members and their families at twice the rate they target civilians.⁹
- In Texas, 82 percent of the zip codes that have a veterans’ facility also have at least one payday or auto title storefront and nearly half have five or more payday loan storefronts.¹⁰
- Most veterans learn about payday loans through advertisements: 84 percent of veterans surveyed took out their payday loan from a storefront within walking or driving distance to their homes.¹¹



“A large part of my time at the Consumer Affairs office was spent assisting soldiers who had gotten into trouble with payday loans. They had gotten one or more payday loans and had reached the point where they could no longer pay them back and pay their daily and weekly and monthly bills.”

– Retired Army Master Sgt. Richard Kitterman, who also served as chief of consumer affairs at Fort Hood

Interest rates are capped at 36 percent for active military, but not veterans.

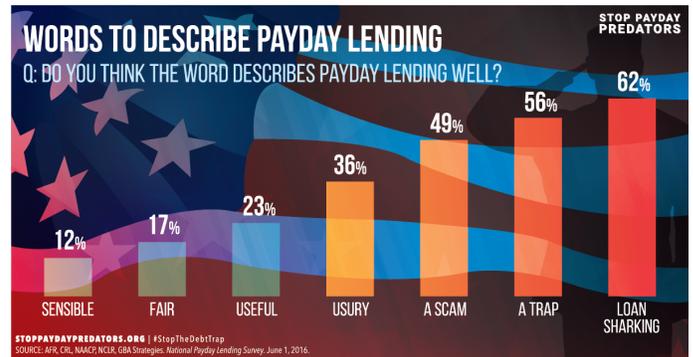
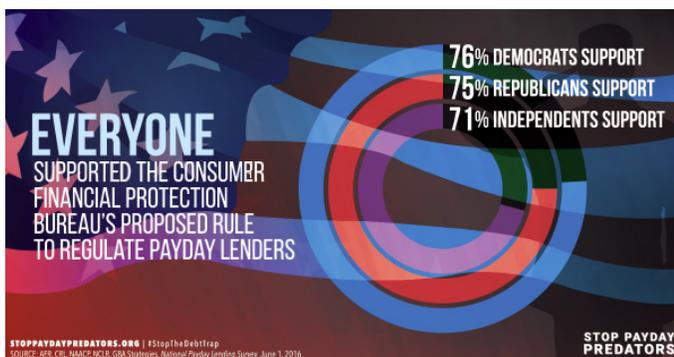
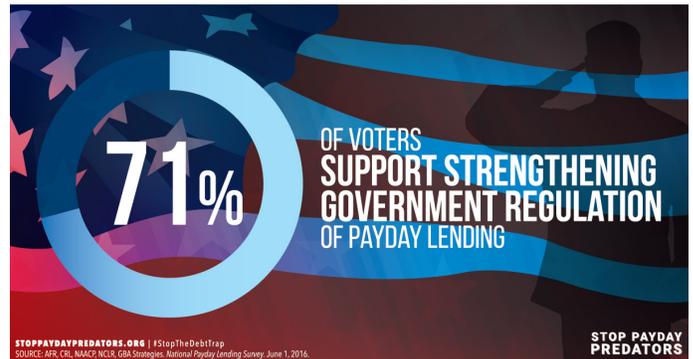
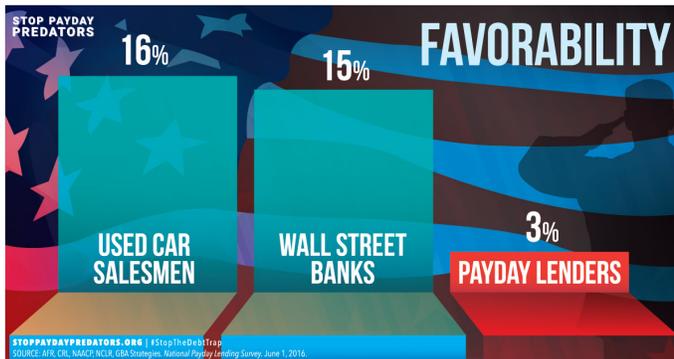
- The Military Lending Act already caps annual interest rates at 36 percent for active military.¹²
- One of the first enforcement actions the Consumer Financial Protection Bureau took was forcing Cash America – one of the largest payday lenders in the country – to repay up to \$14 million in refunds for illegally overcharging service members and other activities.¹³

“It bothers me that instead of finding ways to help the soldier and their family, they instead find ways to help themselves ... at the expense of these young soldiers and their families.”

– Retired Army Maj. Gen. Ken Cox

Most Americans agree with veterans and support strengthening regulation of payday loans.

- 70 percent of Americans say that passing additional regulation of the payday lending industry is important to them.
- Americans view used car salesmen nearly twice as favorably as they view payday lenders.
- 73 percent of Americans supported the Consumer Financial Protection Bureau’s proposed rule to regulate payday lending, which has now been finalized.



“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 CEO¹⁷

CHECK THE FACTS

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3. Consumer Financial Protection Bureau. Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings. April 24, 2013.
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5. Opportunity Alliance Nevada. Brief of Veteran Study Survey. Feb. 4, 2015.
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7. Consumer Financial Protection Bureau. Servicemembers 2015: A year in review. March 22, 2016.
8. National Coalition for Homeless Veterans. Background & Statistics. Accessed Aug. 8, 2016.
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13. Consumer Financial Protection Bureau. Consumer Financial Protection Bureau Takes Action Against Payday Lender for Robo-Signing. Nov. 20, 2013.
14. Allied Progress. Reality Check: Silly CATO Op-Ed Says Payday Loans Can't Be Bad If People Keep Coming Back for More. May 6, 2016.