

PREDATORY PAYDAY LENDERS TARGET COMMUNITIES OF COLOR WITH DEBT TRAP LOANS

Payday loans exacerbate the racial wealth gap

Payday lenders market their products as quick, easy and short-term. **But the research overwhelmingly shows that payday loans trap individuals and families in debt under the guise of providing “access to credit” and “consumer choice.”** The CFPB found--consistent with non-governmental, independent research--that four out of five payday loans are taken out to repay an existing unaffordable payday loan, while the borrower is stuck in a 300%+ interest debt trap. These loans do not represent meaningful access to credit, but a systematic drain on consumers’ hard-earned income. **For communities of color, the harms of payday lending runs deep, exacerbating the persistent and growing racial wealth gap.**

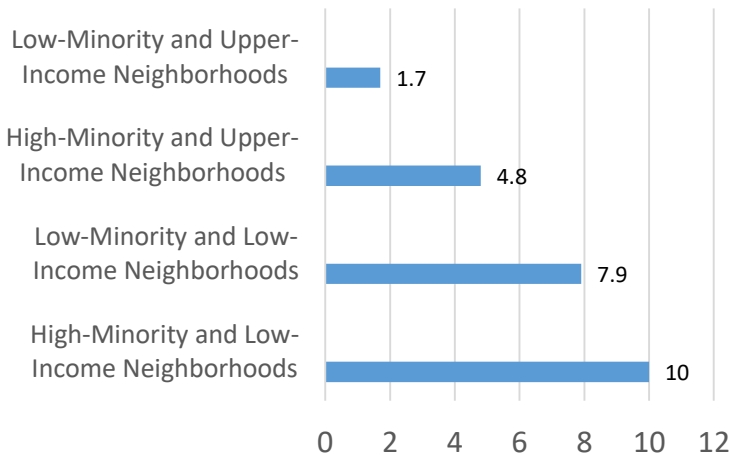
EXISTING DISPARITIES

Approximately 5.5% of adult Americans have used a payday loan.
Nationally, approximately **12% of African Americans** have used a payday loan.
Nationally, approximately **6% of Hispanics** have used a payday loan.
Nationally, approximately **4% of whites** have used a payday loan.

Source: The Pew Charitable Trust, “Payday Lending in America: Who Borrows, Where They Borrow, and Why”

These disparities are especially striking given that, per the FDIC, African Americans and Latinos are much less likely than whites to have checking accounts, which are typically required in order to receive a payday loan. Why these disparities? The reason is clear: **Payday lenders systematically target communities of color by locating their storefronts in these communities. Payday storefronts are significantly more likely to locate in communities of color, even when controlling for income.** Studies in Arizona, California, Colorado, Florida and Michigan illustrate this phenomenon.

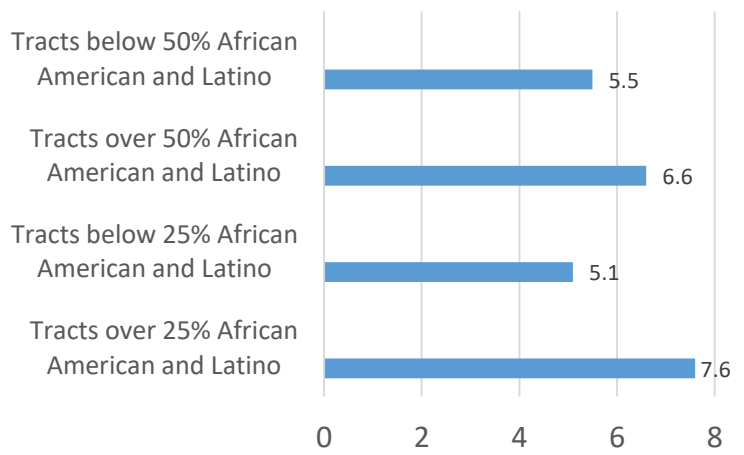
Florida (stores per 100,000 people)



In Florida: Even when controlling for income, payday lenders concentrate in areas where there is a higher concentration of minorities.

Source: Center for Responsible Lending. “Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law.”

Michigan (stores per 100,000 people)



In Michigan: Payday lenders concentrate more in more affluent communities of color than they do in less affluent white communities.

Source: Center for Responsible Lending. “Power Steering: Payday Lenders Targeting Vulnerable Michigan Communities.”

“Being at the end of my rope, and being young and black, I feel the stress of trying to juggle three jobs just to pay these payday loans down...But I start to feel like, ‘What will my future be?’”

- St. Louis, MO resident from “When Poverty Makes You Sick: The Intersection of Health and Predatory Lending in Missouri”

The bi-partisan Veterans and Consumers Fair Credit Act will protect communities of color from predatory loans that exacerbate the racial wealth cap.

Supporters of the bill include:

Leadership Conference on Civil and Human Rights

NAACP

UnidosUS