CITY OF CARSON

PLANNING COMMISSION STAFF REPORT

WORKSHOP:	June 24, 2008
SUBJECT:	Workshop to discuss potential land use regulations for check cashing facilities within the city.
APPLICANT:	City of Carson – Planning Division
REQUEST:	Direct staff to conduct further research on an ordinance amendment addressing check cashing facilities within the city or to receive and file.
PROPERTY INVOLVED:	Citywide

COMMISSION ACTION

____Concurred with staff

____ Did not concur with staff

____ Other

COMMISSIONERS' VOTE

AYE	NO		AYE	NO	
		Chairman Faletogo			Graber
		Cannon			Saenz
					Verrett

Item No. 12A

I. Introduction

Check cashing (also known as payday advance, cash advance) services have received an increasing amount of scrutiny over the last few years because industry practices are perceived to cause undue financial hardships on those who utilize their services.

Community concern and recent inquiries raised by the public have brought attention to check cashing facilities. In order to address those concerns, staff has provided the following information for a workshop discussion and to receive direction from the Planning Commission.

II. Background

Check cashing facilities are not specifically addressed in the CMC but are categorized in the "financial offices, professional and bail bond" classifications. Under this classification, check cashing facilities are automatically permitted in all commercial and industrial zones with the exception of the Commercial Automotive (CA) zone.

According to the Center for Responsible Lending, check cashing businesses predominately serve people from the low-moderate income segment of the community, including recent immigrants and ethnic communities, which do not utilize traditional financial institutions. Check cashing is a generic term that encompasses several types of retail operations. Check cashing services can include processing checks for a fixed fee, payday advanced loans, and other financial services such as money wiring and bill payment. Check cashing for a fixed fee, bill-paying or money-wiring services provide fee services for customers who for a variety of reasons are not members of traditional financial institutions such as banks or credit unions. Individuals and families who typically do not maintain a checking account pay a fee for these services. Establishments that provide these services can be dedicated to this type of operation or can be ancillary to another use such as a convenience store, grocery store, or currency exchange business. Following is a more comprehensive description of the services:

- *Check cashing, money wiring and bill paying services* – These services are for customers who, for a variety of reasons, are not members of traditional financial institutions such as banks and credit unions. Individuals and families who typically do not maintain a checking account pay a fee for these services. While the fees could be avoided or reduced by using traditional financial institutions, the fees charged are one-time transaction fees and do not establish a cycle of debt.

- *Payday advanced loans* – Payday advanced loans are limited, unsecured loans given to individuals. A transaction fee is required and if loans are not paid back in the original loan period, additional fees and finance charges are accrued. California limits these loans to $255 per individual per loan. In order to receive the loan, a customer writes a personal check for a larger amount that includes the administration fee, typically $300 dated two weeks in the future, and receives $255 in cash. If the customer repays the loan within the two-week period, the fee is limited to the additional $45. This equates to an annual interest rate of 16.7

percent for the two-week period and an annual interest rate of approximately 460 percent.

The lender holds the check or electronic debit authorization until the borrower's next payday. At that time, the loan is due in full. When borrowers are unable to repay the loan amount and the check is not covered, the borrower accumulates bounced check fees from both the bank and the lender. Typically, to avoid the bounced check fees and other potential civil action, the borrower pays another $45 fee from either the same lender or one of their competitors. If this practice is extended for one year, a borrower will pay $1,170 in finance charges in exchange for the use of $255 in cash.

The Center for Responsible Lending estimated in 2005 that payday lending costs California borrowers over $365 million annually in abusive lending fees. Nationwide, the cost is estimated at $4.2 billion per year.

A variety of institutional studies by consumer advocacy groups, Federal Reserve Banks, and, most recently, the Department of Defense have concluded that payday advanced loan practices are predatory and cause untold harm to individuals and families at the lower end of the financial spectrum.

III. Analysis

Not regulating check cashing facilities has the potential to cause an influx of these types of uses since they are automatically permitted in all zoning districts. Check cashing facilities have been known to impact neighborhoods with blight and negative effects such as crime, decrease in safety, and decrease in economic growth. An influx in check cashing facilities can also lead to the displacement of full service banking institutions, making access to traditional banking services even more difficult. Check cashing facilities have the potential to negatively impact the areas in which they locate by creating and encouraging poor money management, which in turn adds to the cycle of poverty, decreases quality of life, and threatens the general welfare.

Instead of taking a reactive approach and addressing check cashing facilities when the negative affects have already taken place, staff recommends taking a proactive approach by providing some form of restrictions via land use regulations. A proactive approach would also preclude an overconcentration of check cashing facilities in the future which would be detrimental to the surrounding community. Check cashing facilities within the city's commercial zones also go against the city's vision to revitalize and improve our redevelopment areas.

Currently in the City

There are currently ten (10) check cashing facilities with registered business licenses within the city. Four (4) sites are within the Commercial General (CG) zone; three (3) sites are within the Commercial Regional (CR); one (1) site is within the Commercial Neighborhood (CN); one (1) site is in the Mixed Use – Carson Street (MU-CS) zone; and one (1) site is within the Manufacturing Heavy (MH) zones. In addition to the existing 10 check cashing facilities, the City provides approximately forty (40) financial institutions that adequately serve the community.

Neighboring Cities

Several California cities have taken action on check cashing facilities. The mechanisms include separation of uses by prescribed distances, prohibiting uses within their city, or moratoriums to study the issue. Nine (9) cities in California were consulted in regards to the treatment of check cashing facilities. The cities surveyed include Cerritos, Gardena, Hawthorne, Lakewood, Long Beach, San Bernardino, Santa Ana, Signal Hill, and Torrance. Among these cities, a majority of them provide some form of restriction/regulation for check cashing facilities and most prohibit check cashing facilities within their commercial/redevelopment areas. The city of San Bernardino prohibits check cashing facilities in their city entirely and the city of Long Beach currently has a moratorium in effect. The city of Lakewood define Check Cashing as a separate use from Payday Loans and restricts check cashing facilities to parcels greater than three (3) acres. The following is a list of the cities surveyed:

CITY	Land Use Regulations for Check Cashing Facilities	Permitted in all zones	COMMENTS
Cerritos		X	Categorized with Banking Institutions. Permitted in commercial zones. There are no check cashing facilities within Cerritos.
Gardena	X		Conditional use permit is required in permitted zones
Hawthorne	X		Conditional use permit is required in permitted zones
Lakewood	X		Automatically permits payday loans and categorizes this use as a bank. Conditional use permit required for check cashing facilities and limited to parcels with a minimum of three (3) acres.
Long Beach	X		Conditional use permit is required in all commercial zones, not permitted in select commercial zones (Commercial Storage Area). Currently has a moratorium prohibiting check cashing facilities within a planning area.
San Bernardino	X		Prohibits check cashing facilities in all zoning districts
Santa Ana	X		Conditional use permit is required for permitted zones and new facilities must be at least 1,000 feet from another such facility.
Signal Hill	X		Not permitted in all commercial zones

CITY	Land Use Regulations for Check Cashing Facilities	Permitted in all zones	COMMENTS
Torrance	X		Conditional use permit is required in all commercial zones

Crime Statistics

On May 6, 2008, staff requested crime statistics for the existing check cashing facilities within the city from the Los Angeles County Sheriff's Department. The crime statistics identified twenty-six (26) calls for service between May 6, 2007 and May 5, 2008. There were seven (7) incidences where forgery/fraudulent checks were received and five (5) incidences where a burglary or robbery took effect.

Issue Areas to Consider

- Does the city view check cashing facilities as predatory payday lending? Does the city feel check cashing facilities need to be addressed in the CMC?
- Should we prohibit check cashing facilities within certain zoning districts or continue to permit these uses within the city?
- If we prohibit these uses, what is an appropriate abatement period? Should the city allow check cashing facilities to be legal non-conforming uses?
- Which zoning districts should prohibit or permit check cashing facilities?
- Should a conditional use permit be required? If so, what are some applicable conditions to protect the general welfare?

Alternatives

Below are some alternatives to take into consideration:

- Receive and File: Continue to allow check cashing facilities as an automatically permitted use within all commercial and industrial zones.
- Prohibit check cashing facilities within certain zoning districts.
- Include a definition for check cashing facilities in Section 9190 of the Carson Municipal Code (CMC) that defines it as, but not limited to, being a "business whose primary purpose is to provide services such as check cashing and deferred deposit transactions".

- Amend Section 9131.1 – Permitted Uses (Commercial zones) and prohibit check cashing facilities in all commercial zones and amend Section 9141.1 – Uses Permitted (Industrial zones) to permit check cashing facilities in the Manufacturing Light (ML) and Manufacturing Heavy (MH) zones.

- Require a conditional use permit within permitted zones.

- If restrictions are applied:

    - Allow all existing facilities to operate with a legal non-conforming status;

    - Require an appropriate amortization/abatement period; or

    - Require existing facilities to obtain a conditional use period within an appropriate time period.

A conditional use permit allows the City to regulate the number of check cashing facilities within a specific area and would preclude the likelihood of over concentration.

IV. Conclusion

The CMC does not specifically address check cashing facilities but classifies this use as "financial offices, professional and bail bond" classification. Check cashing facilities have been known to cause undue financial hardships on those who utilize their services and threaten the general welfare by benefitting from a debt cycle created by their services. In addition, an influx of these uses can potentially lead to the displacement of full service banking institutions, making access to traditional banking services even more difficult. The majority of neighboring cities with similar demographics as the City of Carson have placed some form of land use regulation to address the potential impacts of check cashing facilities.

Check cashing businesses have not been notified in regards to this workshop. Since the purpose of this workshop is for a preliminary discussion and to receive direction from the Planning Commission, staff felt that notifying businesses at this time would be premature and did not want to generate unnecessary concern within the community. If the Planning Commission wishes to move forward with additional research and a draft ordinance amendment addressing check cashing, staff will contact all applicable businesses at that time.

V. Recommendation

That the Planning Commission:

- CONSIDER and DISCUSS the information provided for the workshop;

- DIRECT staff to conduct further research and prepare a draft Ordinance Amendment; or

- RECEIVE and FILE.

VI. Exhibits

1. Check Cashing Location Map
2. Financial Quickstand (Executive Summary), November 30, 2006
3. The Payment Plan Smokescreen, June 4, 2007

Prepared by: ______________________
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Reviewed by: ______________________
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Approved by: ______________________
Sheri Repp, Planning Manager

7

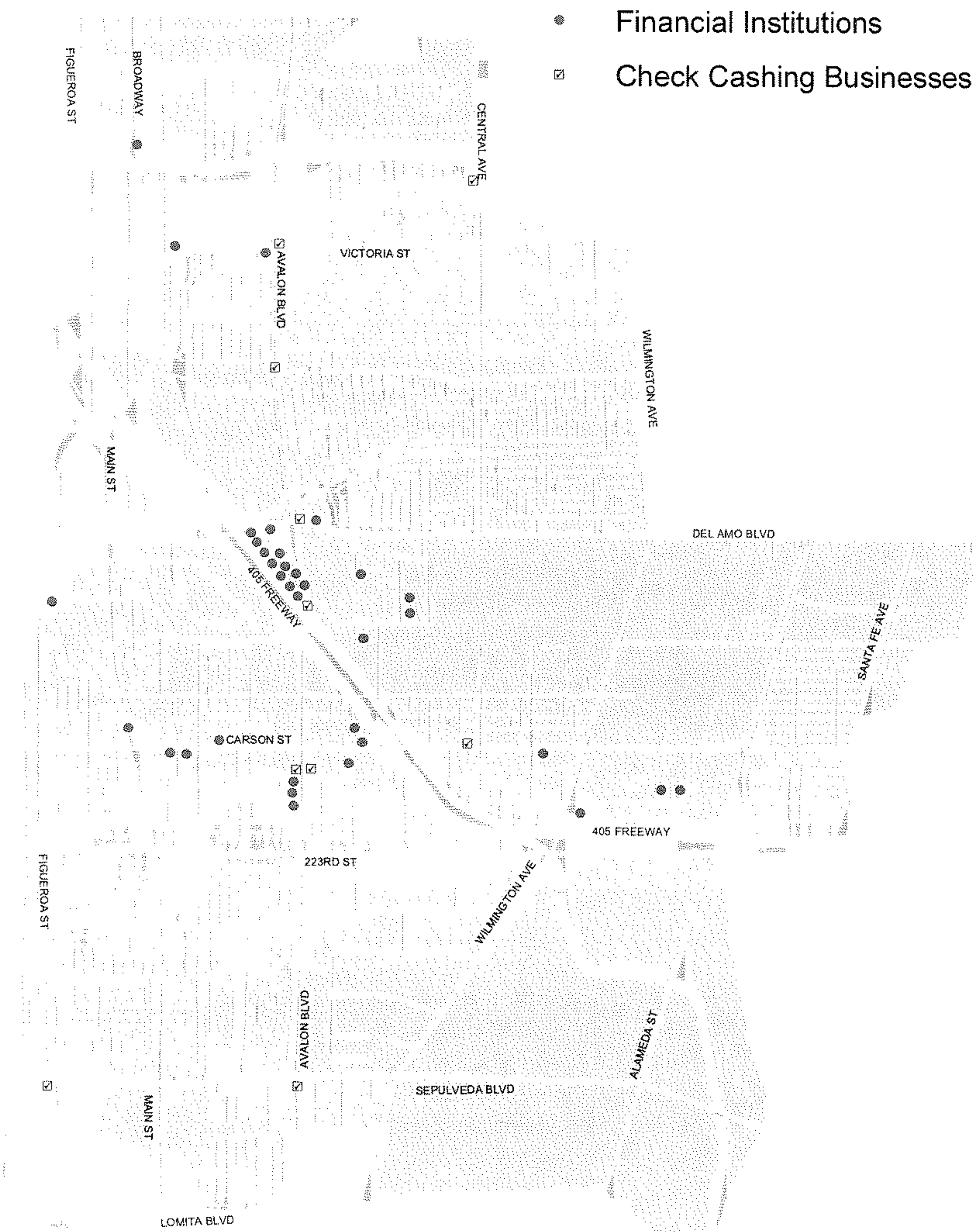
Financial Institutions
Check Cashing Businesses
FIGUEROA ST
BROADWAY
CENTRAL AVE
VICTORIA ST
AVALON BLVD
WILMINGTON AVE
MAIN ST
DEL AMO BLVD
405 FREEWAY
SANTA FE AVE
CARSON ST
405 FREEWAY
223RD ST
FIGUEROA ST
WILMINGTON AVE
AVALON BLVD
ALAMEDA ST
SEPULVEDA BLVD
MAIN ST
LOMITA BLVD

Exhibit 1

8

Financial Quicksand:

Payday lending sinks borrowers in debt with $4.2 billion in predatory fees every year

EXECUTIVE SUMMARY

Uriah King, Leslie Parrish and Özlem Tanik
Center for Responsible Lending

November 30, 2006

About the Center for Responsible Lending

The Center for Responsible Lending is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

Visit our website at www.responsiblelending.org.

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Exhibit No. 2

9

EXECUTIVE SUMMARY

America's working families pay billions of dollars in excessive fees every year, as payday lenders across the nation routinely flip small cash advances into long-term, high-cost loans with annual interest rates in the range of 400 percent.

Despite attempts to reform payday lending, now an industry exceeding $28 billion a year, lenders still collect 90 percent of their revenue from borrowers who cannot pay off their loans when due, rather than from one-time users dealing with short-term financial emergencies.

Based on data collected by state regulators, financial records released by payday lenders, and assessments by third-party analysts, CRL has updated our 2003 quantification of the cost of predatory payday lending to American families. Breaking down the impact by state, we have also calculated the savings to families in states that have banned payday lending.

In our report, *Financial Quicksand*, we find that:

- **Ninety percent (90%) of payday lending revenues are based on fees stripped from trapped borrowers, virtually unchanged from our 2003 findings. The typical payday borrower pays back $793 for a $325 loan.**
- **Predatory payday lending now costs American families $4.2 billion per year in excessive fees.**
- **States that ban payday lending save their citizens an estimated $1.4 billion in predatory payday lending fees every year.**

Ninety percent (90%) of payday lending revenues are based on fees stripped from trapped borrowers.

New information from data provided by state regulators, payday lenders' public filings, and assessments of third-party industry analysts confirms that the payday lending industry's continued reliance on loan flipping.

	Loans to borrowers with 5 or more transactions per year	Loans to borrowers with 12 or more transactions per year
CRL 2003 findings	91%	62%
Washington State	90%	58%
Florida	89%	57%
Oklahoma	91%	66%
Colorado	Not Available	65%
2005 Average	90%	62%

The typical payday borrower pays back $793 for a $325 loan.

Taking the interest on the average payday loan principal as reported by state regulators, and multiplying it by the average number of loan flips per year, we find that the typical borrower ends up paying back $793 for a $325 loan.

Average principal (from state regulator data):	$325
Typical fee for $325 loan:	$52
Average transactions per year:	9
Total interest for original loan + 8 flips	$468
Total principal plus interest paid:	$793

Predatory payday lending now costs American families $4.2 billion per year in excessive fees.

Counting the fees paid by borrowers who have five or more payday loans per year, which indicates they are caught in a cycle of debt, we calculate the 2005 costs of predatory payday lending in each state, for a national total of $4.2 billion per year.

State	2005 Cost of Predatory Payday Lending	State	2005 Cost of Predatory Payday Lending
Alabama	$225 million	Nebraska	$20 million
Alaska	$4 million	Nevada	$108 million
Arizona	$139 million	New Hampshire	$5 million
Arkansas	$25 million	New Mexico	$27 million
California	$365 million	North Carolina	$74 million
Colorado	$76 million	North Dakota	$6 million
DC	$3 million	Ohio	$209 million
Delaware	$23 million	Oklahoma	$38 million
Florida	$156 million	Oregon	$51 million
Hawaii	$3 million	Pennsylvania	$29 million
Idaho	$26 million	Rhode Island	$3 million
Illinois	$219 million	South Carolina	$186 million
Indiana	$51 million	South Dakota	$87 million
Iowa	$40 million	Tennessee	$133 million
Kansas	$30 million	Texas	$259 million
Kentucky	$131 million	Utah	$69 million
Louisiana	$311 million	Virginia	$160 million
Michigan	$120 million	Washington	$155 million
Minnesota	$4 million	Wisconsin	$124 million
Mississippi	$135 million	Wyoming	$10 million
Missouri	$317 million		
Montana	$8 million	Total	$4.2 billion

States that ban payday lending save their citizens an estimated $1.4 billion in predatory payday lending fees every year.

Despite the spread of payday lending nationwide, a number of states have no known costs associated with the practice. We project the 2006 savings for states that ban payday lending at $1.4 billion, quite a significant level considering that these total savings are realized by fewer than a dozen states.

State	2006 Savings
Connecticut	$64 million
Georgia	$149 million
Maine	$26 million
Maryland	$98 million
Massachusetts	$121 million
New Jersey	$152 million
New York	$349 million
North Carolina	$155 million
Pennsylvania	$236 million
Vermont	$12 million
West Virginia	$36 million
Total	$1.4 billion

CONCLUSION AND RECOMMENDATIONS

Solving the payday lending problem has been a huge challenge for most states. The industry has successfully lobbied legislatures across the country to exempt payday lending from state consumer loan laws. In addition to legalizing the practice of holding a live check as collateral, these exemptions typically authorize interest rates at ten times the interest rate cap provided for in the state's consumer loan laws.

But there are signs that the tide is turning. The wave of payday authorization has clearly slowed, with states increasingly wary of this loan product. Several states have either refused to exempt payday lending from their laws or have closed existing loopholes.

Since the FDIC recognized the abusive nature of payday lending and tightened the reins on the banks they insure, the practice of national payday companies partnering with out-of-state banks (rent-a-bank) has all but disappeared. This places the responsibility for preventing predatory payday lending squarely in the hands of state legislators in the states where it is currently legal.

Some states have tried to reform payday lending by requiring databases, cooling-off periods, repayment plans or limits to the number of outstanding loans. The payday lending industry generally endorses these reforms, though we have found in the analysis provided in this paper that they have little impact on the debt trap payday lenders depend on for their revenues. Additional data is available from the states that have tried these reforms, which will provide the basis for a forthcoming CRL state-level analysis.

To solve the problem of high-cost payday lending effectively, state policymakers are increasingly applying their consumer loan laws to all lenders, including Internet lenders.

Most states have an existing interest rate cap in their consumer loan laws in the double digits; about a dozen are set at 36 percent. To prevent predatory payday lending, some states have refused to authorize special exemptions from these limits for payday lenders, whose business model requires them to charge triple-digit interest and repeatedly flip the loans.

Congress recently adopted, and the President signed into law, a 36-percent annual interest rate cap for consumer loans made to military families, protecting them from predatory payday loans as well as many other high cost loan products. The legislation outlawed taking a security interest in a live check, therefore prohibiting payday lending. The Pentagon reported that payday lenders are targeting their troops, and that servicemen and women are frequently losing security clearance because of their resulting debt problems.

Policymakers interested in preventing predatory payday loan flipping in their states should consider capping annual interest rates on small consumer loans at an all-inclusive 36 percent. This change would continue to allow responsible credit to flow, while saving Americans the billions of dollars now lost to predatory payday lenders.

To see the full report, go to www.responsiblelending.org.

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Financial Quicksand: Payday lending sinks borrowers in debt...

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New CRL study finds borrowers pay $4.2 billion every year in excessive payday lending fees

Every year, payday lenders strip $4.2 billion in excessive fees from Americans who think they're getting a two-week loan and end up trapped in debt. This report finds that across the nation payday borrowers are paying more in interest, at annual rates of 400 percent, than the amount of the loan they originally borrowed.

Despite attempts to reform payday lending, now an industry exceeding $28 billion a year, lenders still collect 90 percent of their revenue from borrowers who cannot pay off their loans when due, rather than from one-time users dealing with short-term financial emergencies.

Based on data collected by state regulators, financial records released by payday lenders, and assessments by third-party analysts, we update our 2003 quantification of the cost of predatory payday lending to American families. Breaking down the impact by state, we also calculate the savings to families in states that have banned payday lending.

In this report, we find that:

- Ninety percent (90%) of payday lending revenues are based on fees stripped from trapped borrowers, virtually unchanged from our 2003 findings. The typical payday borrower pays back $793 for a $325 loan.
- Predatory payday lending now costs American families $4.2 billion per year in excessive fees.
- States that ban payday lending save their citizens an estimated $1.4 billion in predatory payday lending fees every year.

Download the Report

Financial Quicksand: Payday lending sinks borrowers in debt with $4.2 billion in predatory fees every year

Related Items

Executive Summary: Financial Quicksand

Press Release

Statement of Michael Calhoun, CRL President

Telenews Conference Audio (Windows Media)

Quantifying the Economic Cost of Predatory Payday Lending
CRL 2003 Research Report

Published: November 30, 2006
Source: Center for Responsible Lending
Author: King, Uriah; Parrish, Leslie; Tanik, Ozlem

ISSUES

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Payday Lending

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Categories: Payday Loans

CENTER FOR RESPONSIBLE LENDING

The Payment Plan Smokescreen

Guidelines Fail to Address the Debt Trap

CRL Issue Brief
June 4, 2007

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PAYDAY INDUSTRY HIDES BEHIND INEFFECTIVE BEST PRACTICES

- The payday industry's "new" guidelines are already proven failures. Any reliance on them for legislative reforms will also fail.
- In states that have legislated these guidelines, the debt trap persists. Nearly two of every three loans still go to borrowers with twelve or more loans per year and less than one percent of transactions use the "mandatory" payment plan.
- The only proven solution to stop the payday debt trap is to enforce a state's two-digit usury cap.

No Financial Incentives for Payday Lenders to Stop the Debt Trap

Payday loans are short-term cash advances on a borrower's next paycheck, secured by a post-dated check. To qualify for a payday loan, borrowers need only a checking account and a steady income. The borrower gives the payday lender a personal check and receives cash, minus the lender's fee, which is generally $15 for every $100 borrowed—the equivalent of about 400 percent APR. Despite the payday association's marketing of payday loans for short-term use only, only one loan in a hundred goes to the one-time borrower and over 90 percent of loans go to borrowers trapped in a cycle of debt. Rather than helping people bridge a financial gap, these loans have led to financial ruin.

Because payday lenders earn the vast majority of their revenue from these trapped borrowers, industry representatives will not support proposals that effectively stop payday loan flipping. In fact, experience shows that policymakers should <u>expect</u> circumvention and illusory concessions from the industry; payday lenders have the strongest of incentives – any rule that seriously addresses the cycle of debt means a drastic, if not fatal, reduction of revenues to predatory payday lenders.

Facing increasing scrutiny of the problems caused by payday lending, the industry trade group recently announced a new public relations campaign that claims to address the problem

About the Center for Responsible Lending

The Center for Responsible Lending (CRL) is a national nonprofit, nonpartisan research and policy organization dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

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Exhibit 3

of loan flipping by requiring its lenders to offer borrowers an extended payment plan. However, this plan will not give borrowers a viable option for escaping the debt trap, and a description of the guidelines suggests lenders will offer the plan to borrowers in trouble only once per year despite the fact that the typical borrower has nine loans per year.

All Smoke, No Fire for Renewal Bans

Community Financial Services Association (CFSA) has publicized their list of best practices over the years, but while they may sound helpful at first glance, they have not reduced the problem of loan flipping.

For example, CFSA has long claimed to limit payday loan "renewals" for their members. But the renewal ban has been a failure, as lenders merely change the way they "flip" borrowers from rollovers to back-to-back transactions. So instead of having the borrower keep the same $300 loan outstanding by paying another $45 fee, the lender has the borrower pay off their initial loan and then immediately take out a new $300 loan for a $45 fee. Trapped borrowers also take additional loans at other payday stores or use another borrower's name from a joint checking account to originate a "new" loan.

These types of transactions keep the borrower trapped just as simple renewals do.

Payment Plans Have No Impact on the Debt Trap

Variations of the payment plans have already been incorporated into law in several states and have had extremely low take-up rates, even though the vast majority of borrowers cannot pay off their payday loans and instead must flip them every two weeks.

Payment plan use is low because they are often <u>unaffordable</u> for the trapped borrower. Most borrowers have to pay more to enter into the payment plan than they would to simply flip their loan (which can be accomplished through a back-to-back transaction if rollovers are prohibited). For example, a borrower that took out a $300 payday loan carrying an interest rate of 390 percent would have to come up with $45 to renew the loan in full or pay their first installment of a payment plan of $86. This $40 difference could have a large impact on a family cash-strapped enough to take out a payday loan, so the structure of payment plans leads them to fail.

Many payday borrowers "borrow from Peter to pay Paul," taking out multiple payday loans from multiple payday companies. When borrowers don't have the funds to repay the original payday lender, they walk down the block and get a second payday loan to pay back the first and so on. For these borrowers, payment plans are particularly inaccessible. For example, if a borrower has three payday loans outstanding, they would need to come up with $258 ($86 x 3) to enter into the repayment plan with all these lenders at once. If they start the repayment plan with only one shop, they don't have the money to repay the other lenders. This means that borrowers without considerable front-end cash (i.e. those most likely to take a payday loan to begin with) simply cannot afford to enter into a payment plan.

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As the following examples illustrate, in the states where a payment plan is already in place, the debt trap continues for borrowers. While Oklahoma and Washington State have formal payment plan options, Florida employs a 60-day grace period, where borrowers can take additional time to pay back their loans without additional fees and interest, which functions in a similar way.

	Average Loans per Borrower per Year	% of Loans Employing Payment Plan or Grace Period	% of Loans to Borrowers with 5 or More Loans/Yr.	% of Loans to Borrowers with 12 or More Loans/Yr.
Florida	8	0.5%	89%	57%
Oklahoma	9	0.4%	91%	66%
Washington	8	0.8%	90%	58%
National Average	9		90%	62%

Usury rate caps offer effective payday lending reform

Because the payday lending business model depends on repeat borrowing by trapped consumers, any reform or consumer protection proposed by the payday lending industry must guarantee that borrowers continue to flip their loans every payday, month after month. As demonstrated by the states that already incorporate payment plans into their payday lending regulations, this type of "protection" is no exception.

Across the country, the only states that successfully prevent the predatory aspects of payday lending are those that enforce a usury rate cap that applies to all small loan lenders. In these 11 states, households in need of short-term credit turn to responsible credit options rather than triple-digit interest rate payday loans, saving a collective $1.4 billion in predatory fees each year.*

Congress has followed suit, passing a law to prevent military families from being charged more than 36 percent on payday loans. The FDIC is also concerned with this type of high-cost credit, and is actively encouraging banks under its purview to craft and market small loan products at 36 percent or less.

Policymakers in states with payday lending should look to these models when addressing payday lending abuses and be wary of industry-supported concessions that are purported to end the payday lending debt trap.

* For more information, see CRL's report, *Financial Quicksand*, available at www.responsiblelending.org

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