

STOP PAYDAY PREDATORS

PAYDAY LENDERS ARE PREYING ON WISCONSINITES

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 and no other options.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 principle.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 Wisconsin:

- The average loan in Wisconsin is \$320.³
- In Wisconsin, the average payday borrower takes out about 12 loans per year, with about 75 percent of borrowers taking out more than 6 loans a year.⁴
- Payday borrowers in Wisconsin pay an average annual percentage rate (APR) of 589 percent – in part, because Wisconsin is one of only four states that does not cap interest rates for payday borrowers.⁵
- In Wisconsin, the average payday borrower may pay as much as \$866 in charges on a \$320 loan.⁶



SOURCE: Wisconsin Department of Financial Institutions, 2014 Annual Report to the State Legislature: Payday Lending.

Payday loans and other loans take a toll on Wisconsin’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 Wisconsin also contribute to economic hardship.

- Payday lending in Wisconsin results in jobs lost and millions of dollars drained from the economy, according to a 2013 report.⁷
- In 2014, payday lenders in Wisconsin collected \$8.4 million in fees and interest charges.⁸
- Car title loans in Wisconsin reach rates over 200 percent APR, putting borrowers’ cars at risk as collateral for the unaffordable loans.⁹

“Capitol Heights, Clarke Square, Sherman Park: payday loan agencies are **scattered throughout communities occupied mainly by people of color**. There are no licensed payday lenders in Whitefish Bay, Mequon, Brookfield, Wauwatosa, Shorewood, River Hills, or Glendale.”¹⁰

— Milwaukee Neighborhood News

The who and where of payday in Wisconsin.

- In Milwaukee, there are more payday loan storefronts than there are McDonalds storefronts.¹¹
- The typical payday borrower in Wisconsin makes less than \$19,000 a year.¹²
- There are over 400,000 veterans in Wisconsin who no longer receive protection from the Military Lending Act, which caps interest rates at 36 percent for active military.¹³

“Payday loan stores are parasites . . . Turning to a payday lender was financial suicide for me.”

– **Latoya, Milwaukee**¹⁴

The true beneficiaries of payday loans.

When the deck is so clearly stacked against Wisconsinites 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 Wisconsinites.
- Payday lenders contribute generously to the campaigns of state politicians in an effort to continue to enjoy the fruits of Wisconsinites’ labor.
- Major payday lending companies PLS Financial, Select Management Resources, Advance America, and AmeriCash Loans spent a combined \$273,800 lobbying state elected officials in 2015.¹⁶
- The payday and title loan industry contributed over \$242,000 to candidates for state office in Wisconsin between the years 2010 and 2014.¹⁷



The Payday and Title loan industry contributed \$242,076 to candidates for state office in Wisconsin between 2010-2014.

“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 America**¹⁵

CHECK THE FACTS:

- ¹ Consumer Finance Protection Bureau. *Payday Loans and Deposit Advance Products*.
- ² Politico. *The Government Loan Program With a 116 Percent Default Rate*. Feb. 24, 2015.
- ³ Montezemolo, S. *Payday Lending Abuses and Predatory Practice*. Sept. 2013.
- ⁴ Caskey, J. *The Economics of Payday Lending*. 2002.
- ⁵ Wisconsin Department of Financial Institutions, *2014 Annual Report to the State Legislature: Payday Lending*.
- ⁶ Ibid.
- ⁷ Lohrentz, T. *The Net Economic Impact of Payday Lending in the U.S.* March 2013.
- ⁸ Milwaukee Neighborhood News Service. *Special Report: Vicious cycle of payday loans poses hazard for low-income borrowers*. Jan. 4, 2016.
- ⁹ <https://www.advanceamerica.net/locations/details/store-5200/713-N-Spring-Street/Beaver-Dam/WI/53916>
- ¹⁰ Milwaukee Neighborhood News Service. *Special Report: Vicious cycle of payday loans poses hazard for low-income borrowers*. Jan. 4, 2016.
- ¹¹ Milwaukee Neighborhood News Service. *Special Report: Vicious cycle of payday loans poses hazard for low-income borrowers*. Jan. 4, 2016.
- ¹² Caskey, J. *The Economics of Payday Lending*. 2002.
- ¹³ U.S. Department of Veteran Affairs. *National Center for Veterans Analysis and Statistics*. May 2016.
- ¹⁴ Milwaukee Neighborhood News Service. *Special Report: Vicious cycle of payday loans poses hazard for low-income borrowers*. Jan. 4, 2016.
- ¹⁵ 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.
- ¹⁶ Wisconsin Governor Accountability Board. *Eye on Lobbying: Total Lobbying Expenditures*. 2015-2016
- ¹⁷ The National Institute on Money in State Politics. *Follow the Money*. May 2016.