

PAYDAY LENDERS ARE PREYING ON ILLINOISANS

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, they target people with low incomes.ⁱ

In Illinois, most payday borrowers make less than \$35,000 a year. Nationally, 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.ⁱⁱ 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 Illinois:

- The average loan in Illinois is \$365.ⁱⁱⁱ
- Payday lenders in Illinois charge an average annual percentage rate (APR) of 404 percent.^{iv}
- Illinois payday lenders make high-cost short-term and long-term payday loans, both of which cause borrowers to be trapped unaffordable, triple-digit interest rate debt.
- Long-term payday loan in Illinois carries an average term of about 5 months, and on average, borrowers are stuck in 3.2 of these long-term payday loans each year.^v

Payday Loans and other Debt Trap Loans Take a Toll on Illinois's Economy.

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

- Payday lending in Illinois results in jobs lost and millions of dollars drained from the economy, according to a 2013 report.^{vi}
- Payday lenders in Illinois collected more than \$7 million in finance charges from Illinoisans in just one year on short-term payday loans.^{vii}
- In 2011, payday borrowers in Illinois paid more in interest than they received in principal for payday installment loans: \$232.5 million paid as opposed to \$223.1 million received.^{viii}
- Car title loans in Illinois average 212 percent APR. For the period between April 2009 and September 2012, the average title loan borrower paid \$2,030 in fees to borrow \$893.^{ix}
- Payday and car title lenders in Illinois collect over half a billion dollars annually.^x

The Who and Where of Payday in Illinois.

- {Text box} 70 percent of Chicago's 125 payday lenders are located within a mile of areas where the per capita income is less than the city average of \$28,500.^{xi}
- In Illinois, there are more payday lending than there are McDonald's.^{xii}
- In Illinois, the typical payday borrower has a monthly income of less than \$2,600; and, over half of payday borrowers earn less than \$30,000 annually.^{xiii}

- There are over 721,000 veterans in Illinois who no longer receive protection from the Military Lending Act, which caps interest rates at 36 percent for active military.^{xiv}

Payday Lenders are Harming Illinois Families.

These statistics are quite shocking, but the story becomes even more stark when you look past numbers and learn how payday lenders take advantage of real people in real communities.

I had become a victim of payday lending; a victim of usury and it took 6 years to pick up the pieces. I used to think it was my fault. I was embarrassed to tell anyone this happened to me I felt uneducated instead of victimized. Then I found out through organizing that I was not alone. I was not the only victim these predators had trapped - other people were angry and fighting back and I joined the fight. – Candice Byrd

The True Beneficiaries of Payday Loans.

When the deck is so clearly stacked against Illinoisans 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 Illinoisans.
- Payday lenders contribute generously to the campaigns of Illinois politicians in an effort to continue to enjoy the fruits of their labor.
 - Predatory lending companies contributed more than \$2.6 million in campaign contributions to politicians, party committees and PACs for state office between 2010 and 2014.^{xv}

“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 CEO^{xvi}

ⁱ Consumer Finance Protection Bureau. *Payday Loans and Deposit Advance Products*.

ⁱⁱ Politico. *The Government Loan Program With a 116 Percent Default Rate*. Feb 24, 2015.

ⁱⁱⁱ Illinois Trends Report. *All Consumer Loan Products Though September 2012*. April 17, 2013.

^{iv} Center for Responsible Lending, *Map of U.S. Payday Loan Interest Rates*, May 2016.

^v Illinois Trends Report. *All Consumer Loan Products Though December 2013*. May 2014.

^{vi} Lohrentz, T. *The Net Economic Impact of Payday Lending in the U.S.* March 2013.

^{vii} Montezemolo, S. *Payday Lending Abuses and Predatory Practice*. Sept. 2013.

^{viii} Montezemolo, S. *Payday Lending Abuses and Predatory Practice*. Sept. 2013.

^{ix} Illinois Trends Report. *All Consumer Loan Products Though September 2012*. April 17, 2013.

^x D. Standaert, *Payday and Car Title Lenders Drain \$8 Billion in Fees Every Year*, May 2016.

^{xi} Emmanuel, A. *Poverty pays for small dollar lenders in Chicago*. Sept. 2, 2015.

^{xii} Progress Illinois. *Unconscionable Acts: The Payday Loan Industry in Illinois*. April 4, 2008.

^{xiii} Illinois Trends Report. *All Consumer Loan Products Though September 2012*. April 17, 2013.

^{xiv} U.S. Department of Veteran Affairs. *National Center for Veterans Analysis and Statistics*. May 2016.

^{xv} Institute on Money in State Politics. *Follow the Money*. May 2016.

^{xvi} 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.