

# STOP PAYDAY PREDATORS



## PAYDAY LENDERS ARE PREYING ON LATINOS

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.<sup>1</sup>

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.<sup>2</sup> 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 Disproportionally Impact Latinos

- Latinos are more likely than the general population to use a payday loan.<sup>3</sup>
- Latinos are far more likely to obtain a payday loan from a storefront, as opposed to an online service.<sup>4</sup>
- In California, only 25 percent of payday loan-eligible adults are Latino but Latino adults make up 37 percent of all payday borrowers.<sup>5</sup>
- In California, payday loans drained Latino and African-American communities of \$247 million during just one year.<sup>6</sup>

### Payday Lenders Concentrate in Latino Communities

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.

- Payday lenders are more highly concentrated in communities that are majority black and Latino – even when accounting for income, according to a 2016 analysis of payday lenders in Florida.<sup>7</sup>
- Payday lenders are nearly eight times as concentrated in communities of color as they are in mostly white communities, according to a 2009 study of payday lenders in California.<sup>8</sup>
- Latino mortgage holders are targeted by lead generators used by online payday lenders.<sup>9</sup>
- Nationally, there are more payday lending storefronts than there are McDonald’s or Starbucks franchises.<sup>10</sup>

“For individuals who are struggling to make ends meet, options for safe and affordable financial products, especially in the form of small-dollar credit (microloans) are often limited. Payday loans might sound like a good option, but they are intentionally structured to keep borrowers in a cycle of borrowing and debt that causes millions of hardworking Americans extreme financial difficulty.”

— Janet Murguía, President and CEO of the National Council of La Raza

“My experience with a payday loan trapped me in a debt cycle. I took out loans to pay my taxes, health bills, and basic necessities as I was in between jobs. I was living in the San Francisco Bay and I took out a loan in Oakland, but I was not able to pay it off, so then I went into another store in San Francisco to pay off my original payday loan. Eventually I borrowed at least 10 payday loans and owed over \$2,500 dollars ... It brings back too many memories as I was in turmoil. Don't do it. It's not worth it. It's a trap!”

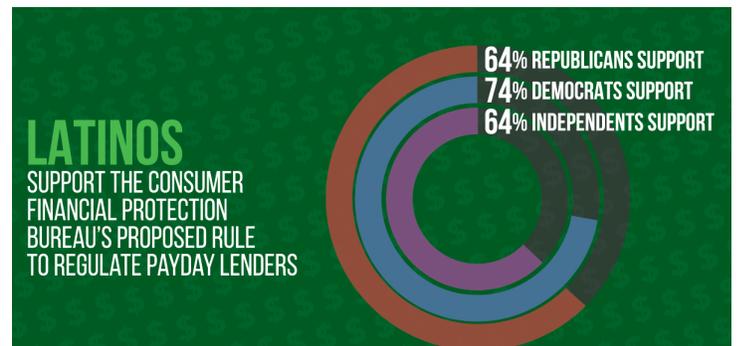
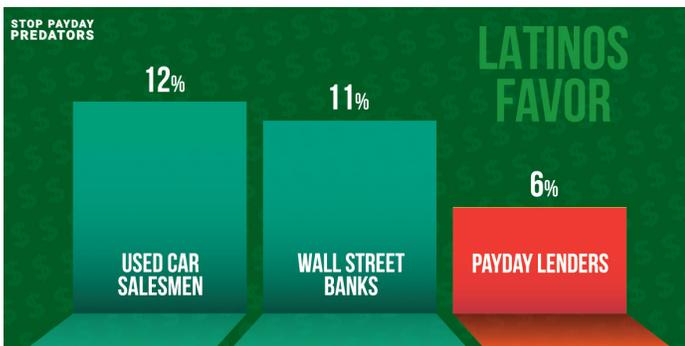
— *Cassandra from Sacramento, California*<sup>11</sup>

“For lawmakers who say that these regulations are working, I would ask whether they would ever tell their mother or father to take out a payday loan. If these loans are not good enough for their families, why should they allow payday lenders to continue to take advantage of our communities?”

— *Marucci Guzmán, Executive Director of Latino Leadership, Inc.*

## Like Most Americans, Small Business Owners Strongly Support Strengthening Regulation of Payday Loans

- 74 percent of Latinos say that passing additional regulation of the payday lending industry is important to them.
- Latinos view used car salesmen twice as favorably as they view payday lenders.
- 67 percent of Latinos support the Consumer Financial Protection Bureau's proposed rule to regulate payday lending.



### 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. Pew Charitable Trusts. Payday Lending in America: Who Borrows, Where They Borrow, and Why. July 2012.
4. Pew Charitable Trusts. Payday Lending in America: Who Borrows, Where They Borrow, and Why. July 2012.
5. Center for Responsible Lending. Predatory Profiling: The Role of Race and Ethnicity in the Location of Payday Lenders in California. March 26, 2009.
6. Ibid.
7. Center for Responsible Lending. Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law. March 2016.
8. Ibid.
9. Led Astray. Online Lead Generation and Payday Loans. Oct. 2015.
10. NBC News. There Are More Payday Lenders in the U.S. Than McDonald's. Nov. 24, 2014.
11. League of United Latino American Citizens. Don't Get Caught in a Debt Trap. 2014.