PAYDAY LOANS

Payday loans are an "easy" way to obtain quick cash. A payday loan is a small-dollar loan with an average annual percentage rate (APR) of 391% that a person is eligible to borrow from store front businesses. These loans are sometimes referred to as "cash advances" and require that its borrowers have a proof of income and employment.

PAYDAY LOAN DEBT TRAP CYCLE

The features of a payday loan often trap consumers into a cycle of debt. When a borrower is unable to pay that loan back, they often go to another payday lender, receive a loan, and use that money to pay off their other payday loan. This cycle is repeated over until eventually a borrower is stuck in a deep debt trap.

* The average borrower will take out the same $250 loan up to 10 times. For each loan that is secured, there are fees averaging $45. Under these conditions, a borrower would pay $450 in fees.

*Payday loan borrowers are more likely to incur overdraft charges and bounced check fees, lose their bank accounts, default on their loans, or file for bankruptcy.

* According to the Center for Responsible Lending, payday loans drain over $3.4 billion annually in excessive fees from payday borrowers, with a large majority paid by borrowers caught in the payday debt trap.

*According to the Consumer Financial Protection Bureau, over 75% of all fees to payday lenders are generated by borrowers with more than 10 loans a year.

CONGRESS MUST CONSIDER LEGISLATION TO CRACK DOWN ON PAYDAY LOAN PRACTICES

LULAC urges Congress to pass legislation that protects people from predatory products. Legislation aimed at ending the payday debt trap cycle would:

- protect consumers from exorbitant payday lending fees
- cap annual interest rates on consumer credit products
- incentivize consumer-friendly alternatives to small dollar lending