



The Effects of Payday Lending

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What is Payday Lending?

- **A small, short term loan that allows a borrower to cover urgent expenses until his next paycheck. Sometimes referred to as paycheck advance.**
- **The maximum loan term is 30 days.**
- **Qualifying for the loan or the amount of the loan is not based on a customer's credit.**
- **Qualifications: checking account and guaranteed income**

Why is it Predatory?

- **18% fee for the face value of the post dated check**
- **Consumers are charged \$21.95 per \$100 borrowed**
 - 1144% APR for a 7 day loan**
- **572% APR for a 14 day loan**
- **267% APR for a 30 day loan**
- **A 572% APR means a payday lender can earn \$572 in fees from loaning \$100 for one year.**



Write a personal check for the amount you need to borrow plus the fee

No credit check or underwriting

Customers must repay the entire balance of the loan when it's due

Back to Back transactions are permitted

Why Mississippi?

- **Payday lenders currently operate in the State under the Mississippi Check Cashers' Act which is an exception to the Small Loan Act.**
- **The Mississippi Check Cashers' Act was passed by the legislature in 1998 and has a repealer that has been extended multiple times.**
- **Leading up to the passage of this Act and in the years since, lobbyist have spent approximately \$1.5 million on various legislators to safeguard their exception**



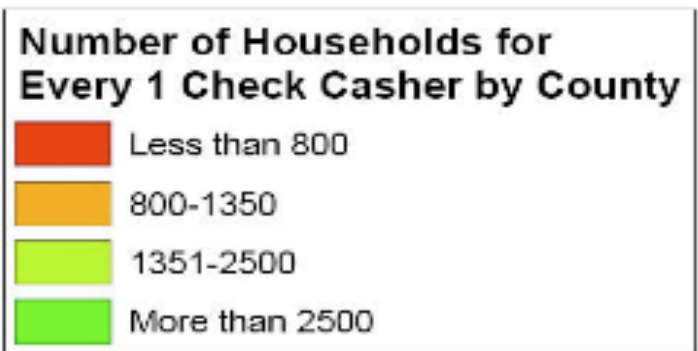
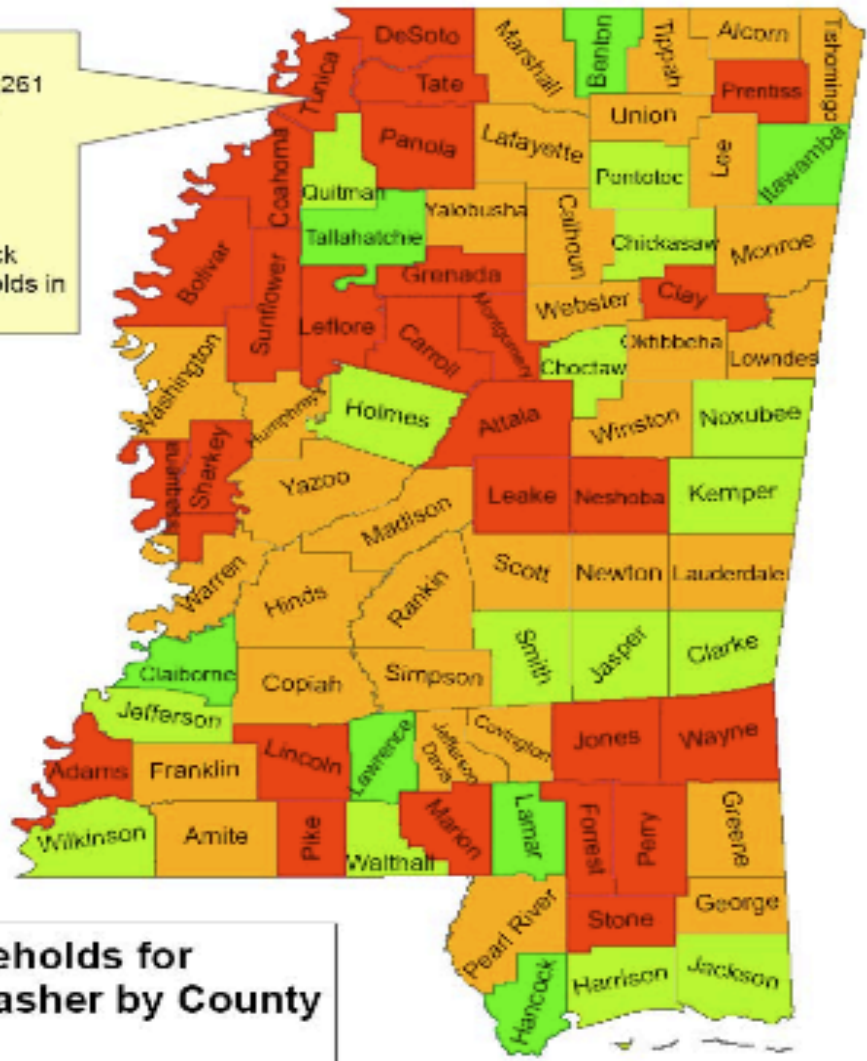
Where in Mississippi?

- **Mississippi has 968 payday lending stores (most saturated in the country)**
- **Highest concentration is in the 2nd Congressional District (highest in the nation)**
- **They are strategically located in minority communities, near HBCU's, and areas where low income consumers frequent**

Example: Tunica County
 # of Households (HH) - 3,261
 # of Check Cashers (CC) - 9

of HH / # of CC:
 362

Translation: There is one check
 cashier for every 362 Households in
 Tunica County



Source: Mississippi Department of Banking and Consumer Finance; U.S. Census; MEPC Analysis



Who are the Customers?

- ✓ **Women comprise 60% of the customer base**
- ✓ **School teachers, low wage state employees, and single mothers are their primary customers.**
- ✓ **The average borrower: annual income of \$25,000, under the age of 45, and has steady employment.**
- ✓ **42% of the customers are homeowners;**
- ✓ **57% own major credit cards**
- ✓ **African Americans are 2.5 times more likely to use payday loans than white households.**

A First Year School Teacher

● Average salary	\$32,780.00
● Monthly Gross pay	\$ 2,731.66
● Net pay	\$ 2,376.66
● Living expenses	\$ 1,107.00
● Payday loan	\$ 366.00
● Remaining income	\$ 903.66

(Car note, auto and health insurance, gas, student loans, food, childcare, clothing, etc.)

Cashiers

- **Average salary** \$14,930.00
- **Monthly Gross pay** \$ 1,244.16
- **Net pay** \$ 1,162.16
- **Living expenses** \$ 568.00
- **Payday loan** \$ 244.00
- **Remaining Income** \$ 350.16

(Car note, auto and health insurance, gas, food, childcare, clothing, etc.)



Where is the Benefit?

- **Not members of the business or civic organizations in your community**
- **Do not support local events, organizations, churches or schools**
- **Negative community economic impact**
- **Discourage economic development**
- **Distress social services**
- **Decrease or stagnate property values**



Consider the Alternatives

- ❖ **Contact credit counseling agencies**
- ❖ **Shop around for alternatives to payday loans**
- ❖ **Ask your bank about overdraft protection**
- ❖ **Make arrangements with creditors**
- ❖ **Borrow from friends or relatives or seek assistance from religious institutions or social service agencies**
- ❖ **Compare the cost of late fees (a one time late fee is cheaper than the repeat fees of a payday loan)**



What Can You Do?

Ask the Mississippi State Legislature to take action during the next regular session to enact laws that will prevent further exploitative payday lending practices, including but not limited to:

- **Allow the current repealer, to sunset as scheduled in 2012;**
- **Enact an annual percentage rate of 36% for all Mississippi consumer;**
- **Prohibit the use of a personal check or electronic equivalent by a creditor to gain access to a consumer's bank account;**



What Can You Do?

- **Extend the current repayment period to a minimum term of 90 days after a consumer obtains three (3) loans;**
- **Allow repayment in installments with no prepayment penalty;**
- **Mandate the creation and use of a statewide database to track the number of loans per consumer and repayment plans.**



For more information contact:

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