

## Payday Lending Fact Sheet

### *Louisiana Allows Lenders to Charge up to 1,043% APR*

Payday loans are small, short-term loans that borrowers can use to cover expenses until their next paycheck. Louisiana has one of the highest concentrations of payday lenders in the country, which undermines many of the successful anti-poverty policies.

Louisiana lenders are allowed to provide loans of \$50 to \$350 to people who run out of money and have few alternatives to pay rent, buy groceries, or pay utilities until their next paycheck. Borrowers write a check to cover the amount of the loan, plus finance charges and fees, to be held until their next paycheck. To qualify, a borrower must have a checking account and be able to demonstrate employment. Depending on the amount borrowed, lenders charge \$20 to \$55 for each transaction.

- Lenders are allowed to charge **1,043% APR** for a \$50 payday loan, and **782% APR** for a \$100 loan (see attachment).
- The Louisiana Budget Project estimates that borrowers paid **\$205 million in fees** for 4.1 million transactions in 2008 alone.

**“ The average borrower takes out nine loans per year and stays in debt for more than six months. ”**

Payday loans are designed to trap borrowers in debt. In contrast to most forms of credit, payday loans must be repaid with the borrower’s next paycheck. That’s a tall order for a family already living paycheck to paycheck. Many find themselves short of cash soon after paying one loan back, and must immediately take out another loan to meet their ongoing financial obligations.

- The average borrower takes out **nine loans per year** and stays in debt for more than **six months**.
- Most borrowers do not understand the true cost of their loans and use them primarily for **recurring expenses**, not unexpected emergencies.

Louisiana provides little protection for families in need of short-term credit. That’s a big problem because payday lenders prey on the financially desperate and Louisiana has a high poverty rate, making it a promising place for payday lenders to find profitable customers. To put it in perspective:

- The 945 lenders currently operating statewide **outnumber McDonald’s restaurants four-to-one**.
- That’s roughly **one payday loan store for every 4,800 people**, most of which are located in or near poor neighborhoods.

Working families are spending millions of dollars on fees for these loans, money that could be spent in more productive ways such as paying off other debt, investing in education or buying a home. Louisiana should join other states that have curbed predatory lending practices by capping annual interest rates at 36 percent, limiting the number of loans per year and other important safeguards.

For more information on predatory lending, see the LBP report, “Payday Lenders: Trapping Louisiana’s Working Families in a Cycle of Debt” at [www.labudget.org](http://www.labudget.org). Tim Mathis, analyst with the Louisiana Budget Project, may be contacted via email at [timmathis@lano.org](mailto:timmathis@lano.org).

# CASH 'TIL PAYDAY® Loans

Each CASH 'TIL PAYDAY® loan is subject to a finance charge as listed below:

| Loan Amount  | Total Payment Due | Finance Charge | ANNUAL PERCENTAGE RATE (APR) <sup>1</sup> |
|--------------|-------------------|----------------|---|
| <b>\$50</b>  | <b>\$70</b>       | <b>\$20</b>    | <b>1042.9%</b>                            |
| <b>\$100</b> | <b>\$130</b>      | <b>\$30</b>    | <b>782.1%</b>                             |
| <b>\$200</b> | <b>\$250</b>      | <b>\$50</b>    | <b>651.8%</b>                             |
| <b>\$250</b> | <b>\$305</b>      | <b>\$55</b>    | <b>573.6%</b>                             |
| <b>\$300</b> | <b>\$355</b>      | <b>\$55</b>    | <b>478.0%</b>                             |

- Loans from \$50 to \$300.<sup>2</sup>
- Term: 7 to 30 days.
- One easy payment.
- \$25 NSF Check Fee.

Payday advances should be used for short term financial needs only, not as a long term financial solution. Customers with credit difficulty should seek credit counseling.

<sup>1</sup> APR based on 14-day loan term.

<sup>2</sup> Loan eligibility depends on the borrower's income.

The finance charge includes a documentation fee of \$10. Loan refinances are subject to credit approval by the lender. The same prepaid interest charge and documentation fee are applicable to loan refinances. The sum of the loan amount plus the finance charge will be due in one payment at the end of the loan term. For a \$100 loan, a payment of \$130 will be due at the end of the loan term. Term will be based on the borrower's pay date.

In no event will the prepaid interest for a loan be more than 16.75% of the face amount of the check less the \$10 documentation fee.

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