

MISSISSIPIANS for FAIR LENDING

THE HIGH PRICE OF SMALL-DOLLAR LOANS

During financially-challenging times, many need a little help getting by until the next paycheck. Access to responsible, affordable loans can provide the financial resources needed to help cover emergency expenses and keep families afloat during difficult times. Those loans should be life changing in a way that enriches families and communities.

But the payday loan industry relies on a predatory business model that imposes unfair and abusive loan terms that keep unsuspecting customers indebted to them, payday after payday.

How Payday Loans Work

- Payday loans are small-dollar, short-term cash advances obtained by submitting a post-dated check or electronic checking account information. These loans are available to anyone with a checking account and proof of income, including employment, social security, child support, disability or even unemployment payments.

- Payday lenders know that the majority of borrowers will not be able to pay back their loans within the required two weeks, will have to take out new loans to cover the loan and interest, and will get trapped in a cycle of mounting debt.
- When borrowers are unable to pay the original loan amount, lenders encourage them to take out a new loan for the same amount—paying a new fee—to cover the loan, or borrow from another payday lender to pay off the first loan.
- In Mississippi, the average borrower takes out nine payday loans before they are ever able to pay off the original balance. Each new loan incurs a new fee, which can total more than 500 percent in interest rates.

THE HIGH COST OF SMALL-DOLLAR LOANS TOUCHES EVERYONE.



Impact of Payday Loans in Mississippi:

Payday loans strip more than \$270 million in fees from Mississippi communities each year. That's money that could be spent on food, goods and services from local merchants.

- Mississippi has the highest concentration of payday lenders in the nation—a factor that keeps many Mississippians trapped in poverty.
- Payday lenders concentrate their businesses in low- to moderate-income neighborhoods.
- Borrowers are typically paying more than \$1,000 in fees for a \$325 loan.
- Mississippians who have payday loans may be at a higher risk of filing bankruptcy, foreclosure or losing their bank accounts because of overdrafts.

Why should Mississippians pay more for the American Dream?

- Payday lending is illegal in 12 states, and the U.S. government has enacted a 36 percent rate cap on loans to military personnel and their families. Why should Mississippians pay more?
- States that ban payday lending save their citizens an estimated \$1.4 billion in predatory payday lending fees every year.
- In states that have ended payday lending, the vast majority of households surveyed were not negatively affected. In fact, households had other options and relied on a variety of means to handle financial hardships in the absence of payday lending.

Alternatives to Predatory Loans

- Learn to budget and save. A number of consumer groups and reputable banking institutions offer free financial counseling and planning services to help Mississippians learn how to get out of debt and how to save for future emergency needs.
- When you know you are unable to pay a bill that is coming due, call your creditors and make payment arrangements to help you avoid needing to borrow money in the first place.
- Explore your options. Mississippians have access to small loans that can be obtained at more affordable and manageable terms than payday loans. Small-dollar loan providers and payday loan alternatives are available where 98 percent of the state's population resides.
- Borrow from friends and families. This can help meet an emergency need without paying the high price of loans from payday lenders.

What can Mississippians do?

Mississippians deserve access to responsible, affordable loan products that do not create a long-term financial crisis. Get involved.

Demand reform from your local and statewide elected officials. Call your mayor, city council person and statewide elected officials and demand lower fees and longer repayment periods.

To learn more about how to get involved in the campaign to lower the high cost of small-dollar loans, call Mississippi Center for Justice at 601-352-2269 or visit www.msfairlending.org.