

MISSISSIPPIANS 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 most 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, predatory 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 Communities:

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 or foreclosure.
- Payday lenders hurt economic development because merchants worry about crime and are hesitant to be near these businesses with so much cash on hand.

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 hardship in the absence of payday lending.

What can municipalities do?

As an elected official, you can take steps to protect the economic health of your community.

- Host forums that educate your community about the dangers of payday lending and about alternative lending ideas. You can also organize community meetings to educate the public about sound financial planning.
- Support zoning regulations that limit areas where payday lenders and similar companies can operate.
- Become a champion for statewide reform of predatory lending laws. Lead the way by passing a resolution from your area that supports Mississippians for Fair Lending's reform efforts in the Mississippi Legislature.
- Demand reform from your statewide elected officials. Call your statewide elected officials and demand lower fees and longer repayment periods.

Let us help.

We are a nonprofit organization dedicated to advancing racial and economic justice for all Mississippians. We have free resources to help you educate your constituents and enact local ordinances that protect your community from predatory lenders.

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.