BUYERS BEWARE!

Payday Lenders







A Presentation of the Air Force Aid Society

What is a Predatory Loan?

- No precise definition
- GAO Study defined predatory lending as:

"... cases in which a lender takes unfair advantage of a borrower, sometimes through deception, fraud, or manipulation, to make a loan that contains terms that are disadvantageous to the borrower. These [loans] include payday loans, rent-to-own, automobile title pawn loans, and income tax refund loans."

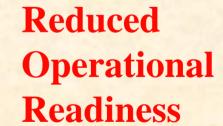
Source: 2005 GAO report on "military Personnel: DoD's Tools for Curbing Use and Effects of Predatory Lending Not Fully Utilized" (GAO-05-349)

Cost of a payday loan ranges from \$10 to \$35 per \$100 borrowed (generally for a one to two week loan). The average APR is 470%. Rollovers easily push the APR over 1000%.

Adverse Impacts on Airmen and Families

OSD, the Services and consumer advocacy groups have long recognized use of these loans can have a variety of adverse effects

- Debilitating impact on family finances
- Increase individual and family stress
- Impacts unit morale
- Reduces personal readiness





Scope of the Problem



Industry Data

- More than 22,000 payday loan outlets make \$40 billion annually in loans to civilians and military and collect
 \$6 billion in finance charges
- Number of Predatory lending outlets has doubled since 2000
- 91% of all loans are made to people with five or more loans per year

The Facts About Pay Day Lenders

- Active Duty are 3 times more likely to go to a payday lender than a civilian.
- 70% of the customers choose a payday lender for convenience.
- Only 6% used a payday lender because there was no alternative.
- 75% of payday loan customers are unable to repay their loan within two weeks.
- 96% of the customers said they were aware of the finance charge.

- Predatory lending costs American consumers \$3.4 billion in fees and military families over \$80 million.
- In the last decade, the number of payday lending stores in the U.S. has grown from 300 to 15,00, generating \$25 billion in loan volume.
- One in five active-duty military personnel were payday borrowers last year.

• There is a one-day "Right of Rescission" you can return the loan within 24 hours.

How Many Payday Lenders Are In Our Area?

- 750 payday lenders in Virginia
- Over 25% (255) are within 20 miles of the Hampton Roads Bridge Tunnel
- Mainly located around poor neighborhoods and military bases

