

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**



**Reduced
Operational
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

