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, 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.

During the 2011 Legislative Session, several changes were made to Mississippi’s payday loan law. Even with these changes, Mississippi remains the most expensive state in the Southeast in which to take out certain payday loans.
Payday Loans Hurt Businesses in Mississippi:

• When families are strapped with payday loan debt, the debt and the associated stress impact the bottom line of businesses across our state.

• Businesses incur additional administrative expense to process garnishments.

• Families with payday loan debt have less money available to spend with local businesses, including grocery stores and other merchants.

• Employees who are stressed by harassing phone calls at work are less likely to perform their best while on the job, as stress lead to mistakes that costs businesses money.

• Stressed out employees are more likely to experience repeated absenteeism.

What can businesses do to help?

• Offer employees access to financial counseling and budget management classes.

• Collaborate with a local bank or credit union to offer small-dollar loans.

• Collaborate with other businesses in your area to support payday lending reform in Mississippi.

• Invite Mississippians for Fair Lending to talk with your employees about financial literacy and alternatives to payday lending.

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 by the end of payday lending. In fact, households had other options and relied on a variety of means to handle financial hardship in the absence of payday lending.

Mississippians deserve access to responsible, affordable loan products that help them address moments of crisis without creating a long-term financial crisis. Get involved.

To learn more, call Mississippi Center for Justice at 601-352-2269 or visit www.msfairlending.org. We’re here to help you learn more about how to get involved in lowering the high cost of small-dollar loans for your employees.