

STOP PAYDAY PREDATORS

PAYDAY LENDERS ARE PREYING ON NORTH DAKOTANS

Payday loans are among the most predatory forms of credit on the market. Though they are marketed as having “reasonable” fees or charges, typical interest rates exceed 300 percent. And because the payday lenders’ bottom line actually depends on borrowers’ inability to repay — most payday fees come from borrowers who take out more than 10 loans a year — they target people with low incomes.¹

Most payday borrowers make less than \$30,000 a year and nearly half default on a payday loan — compared to only 3 percent of standard bank loan borrowers — despite the fact that most of those who default actually pay fees in excess of the original principal.² Payday loans trap people in cycles of debt that drain local economies and result in cascades of financial consequences, such as increased overdraft fees, delayed medical care, and even bankruptcy.

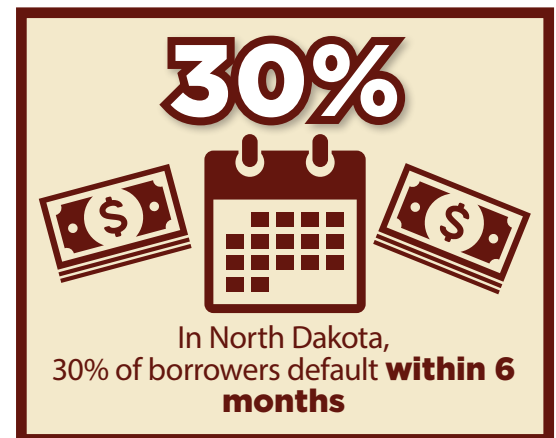
The negative effects of payday lending are evident in North Dakota:

- The average loan in North Dakota is \$336.³
- Payday lenders in North Dakota charge an average annual percentage rate (APR) of 487 percent.⁴
- In North Dakota, nearly half of all payday borrowers default on a loan within the first two years of borrowing and more than 30 percent of payday borrowers default within six months.⁵

Payday Loans and Other Debt Trap Loans Take a Toll on North Dakota’s Economy.

Siphoning money out of poor communities and communities of color takes a serious toll on the economy. Money that could be spent building up local businesses or investing in communities is instead directed to never-ending fees. The negative consequences are measurable.

- Payday lending in North Dakota results in jobs lost and millions of dollars drained from the economy, according to a 2013 report.⁶
- Payday lenders in North Dakota collect more than \$6 million in fees and interest charges annually.⁷
- Nearly two-thirds of payday borrowers paid an overdraft or non-substantial funds (NSF) fee, which is more than twice the rate at which non-payday borrowers paid an overdraft or NSF fee.⁸



“Through the deceptive practices of payday loan companies, poorer North Dakotans are persuaded that they are borrowing money on fair terms when in reality they are being led into a debt trap they are unable to ever get out of.”

Waylon Hedegaard,
President, North Dakota
AFL-CIO

The Who and Where of Payday in North Dakota.

- Almost 90 percent of licensed payday lenders in North Dakota have storefronts, as opposed to online operations.⁹
- There are over 57,000 veterans in North Dakota who no longer receive protection from the Military Lending Act, which caps interest rates at 36 percent for active military.¹⁰

The True Beneficiaries of Payday Loans.

When the deck is so clearly stacked against North Dakotans and favors the payday lending industry, it becomes necessary to take a deeper look at who benefits from these noxious practices.

- The payday industry makes its profits off the backs of hardworking North Dakotans.
- Payday lenders contribute generously to the campaigns of state politicians in an effort to continue to enjoy the fruits of North Dakotans' labor.

“Payday lenders make money off of customers whose income is on average \$30,000 or less. Many of these customers can’t afford the excessive interest rates and fees and get trapped in a vicious debt cycle, locking them into the churn of never being able to pay that initial loan off.”

**Lorraine Davis, Executive Director,
Native American Development Center**

“The negative impact of payday lending is one of the reasons why organizations like the Native American Development Center are striving to become community development financial institutions (CDFIs). Financial institutions, like CDFIs, have the ability to provide low dollar loans without the predatory tactics of payday lenders. This is why community development financial institutions (CDFIs) are a great value-add to North Dakota.”

**Lorraine Davis, Executive Director, Native American
Development Center**

CHECK THE FACTS

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7. Standaert, D. *Payday and Car Title Lenders Drain \$8 Billion in Fees Every Year*. May 2016.
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9. Journal of Economics and Business. *Do state regulations affect payday lender concentration?* March 20, 2015.
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