Agenda

• What is payday lending?

• Who is paying attention to this industry?

• How can we curb predatory lending?
Definition

• Payday Lending is a type of predatory lending:
  o Unfair credit practice that harms the borrower and eventually affects the credit or ownership interest of the borrower

• Payday lending growth
National Statistics

• # McDonald’s compared to # payday lenders
  ○ Florida ranks #14
    • (728 McDonald’s/1,164 payday lenders)
  ○ California ranks #1
    • (1,165 McDonald’s/2,451 payday lenders)

• These states currently prohibit payday lenders
  ○ CT, GA, MD, MA, NJ, NY, NC, VT
The Lender

• Business model DEPENDS on repeat loans
• Not focused on applicant’s ability to repay
• Providing a “valuable” service
  o Valuable or lucrative?
• Follow the money:
  o Ties to Wall Street
  o Funded by banks that were bailed out in 2008
The Borrower

$375

12 M

80%

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The Borrower

69%

7

$4.2B
Recognize any of these?
Locations

• Lower-income neighborhoods
• Storefront lenders – used by 75%
• Online lenders – used by 25%
• Online sources
  • Payday Loans: 28,400,000 results in .3 seconds
• TV Commmercials
The Prey

• Female (25-44 years of age) or
• Separated/divorced or
• Renter not homeowner or
• No 4 year degree (yet) or
• Earning less than $40K/year
How It Works
About that fee...

Simple formula for Annual Percentage Rate:

\[
\text{(cost of loan/amount of loan)} \div \text{length of loan} \times 365 \text{ days}
\]

In this scenario:

\[
\frac{\$55}{\$500} \div 14 \text{ days} \times 365 = 286.79\%
\]
Back to our scenario:
Here’s what REALLY happens:
What about Florida students? How do they fit into this scenario?
Back to School PayDay Loan

With summer almost over, most people will begin their back-to-school shopping. However, there are times when one might just not have enough funds for all that is needed. Thus, one might consider using a credit card for buying things like clothes, books, bookcovers, and other supplies. Since the advent of the sub-prime mortgage crisis, and the downturn of the stock market - buying on credit these days may not be the most prudent thing to do. But, it might be more feasible to consider a PayDay loan that can be used for various educational requirements.

PayDay Loans for the School Supplies

When you need to buy a long list of items so that you or your children are all set to go back to school. PayDay loans could prove to be very helpful as they render cash pretty quickly. PayDay loans can be used for buying pens, pencils, compasses, glue, science boards, paper, scissors, and art supplies for the children. All you need to do is fill in an application online and receive the money you require. PayDay loans are quite helpful for parents who need a little extra money to buy all the back-to-school items children may need.

PayDay Loans for College Students

If you are a college student and cannot buy the necessary supplies needed for the next semester because the check that has been sent from home is a bit late, or because the student loan is taking too much time to be processed, you could choose to apply for a back to school PayDay loan. There are several college students who work during the year. However, the money that is earned sometimes is not enough to buy any of the books and supplies needed for the following semester. Back to school PayDay loans can prove to be very helpful. Besides, these are quick and easy to obtain and there is no paperwork required or other forms of documentation. The only requirement is that you have a steady income. You could apply for a PayDay loan online and receive the money quite fast, so you can go ahead and be completely prepared for the new semester.

PayDay Loans for Teachers

Some teachers around the world have to deal with a low income period, particularly in the summer months. If you have to live paycheck to paycheck during the summer months, you could apply for a PayDay loan. A PayDay loan would be ideal, at least until you receive the first full paycheck. All you need to do is fill out a simple application form online and receive the money that you need within a short period of time to purchase whatever supplies you need before starting school in September.
Payday Loans Are The Best Loans For Needed Students

This is an old saying that student is always poor. Rightly so! In a student life we hardly fulfill our desires. Therefore if you want to fulfill your desires in a school or college life, you do not need to bother about yourself. Rather you should keep in your mind that nothing can be or will be a greater, comfortable and luxurious life than a college life. That’s what I am heavily stressing on this point that a student should have a complete freedom in his or her educational life. He or she must be bounded to the social orders. However, if a student is worried due to his or her poor economic circumstances, he or she must not lose his or her heart at all. The good news is that payday loans are available for students to serve you them the best.

What do you mean by a student loan? What is the requirement of a payday loan for students? Can payday loans really help to students to fulfill their needs and wants suitably as well as comfortably? What are the most important benefits of the payday cash advances for students? Coming back to first question a student payday loans means a short term loan or grant. Usually students get the 200% to 1386% of grants and college grants during their educational career. Remember payday loan procedure is easy and simple for students. Students can get their mandatory loans & grants by filling up an application form. The loan agency will assess this form online and will give you the best response. In most of the cases, students are granted loans on a timely basis.

Let me tell you that instant cash advances will really lend a hand to the students and scholars to fulfill their socio-economic needs and wants in a comfortable way. As far as the benefits of the student payday loans are concerned, they are more than enough for them. The student loans and grants will reduce their strain quickly how to fulfill their needs properly. Secondly those loans will indeed help to

“Nothing...will be a greater, comfortable and luxurious life than a college life.”

Fine Print: APR ranges from 200% to 1386%.
We’re Not Alone: United Kingdom

• 2% of undergrads used payday loans in 2014
• 2% = 46,000 students
• Ads run on sandwich wrappers in cafés near university campuses and colleges
• Encourages a casual attitude about loans
Who is paying attention?

• National People’s Action Research:
  • Profiting from Poverty: How Pay Day Lenders Strip Wealth from the Working Poor for Record Profits

• Consumer Financial Protection Bureau (CFPB)

• Pew Charitable Trust surveys

• Chicago’s Financial Literacy Summit

• President’s Advisory Council on Financial Capability of Young Americans
What’s being done?

• CFPB proposed regulations to rein in payday lenders
  
  o Pros
  • More aggressive – targeting 400% rates and above
  • Requires lenders to ensure borrowers have means to repay
  • Limits on rollovers: only allows 2 rollovers in a 12 month period
  • Ceiling rate of 28% for credit more than 45 days
  • Monthly payments cannot go beyond 5% of pretax income

  o Cons
  • Payday lenders can use federal regulations to overrule tougher state regulations
  • Loopholes that might be exploited by payday lenders
Loophole: Tribal connections do not have to follow state or local laws.

At bottom of webpage: Red Rock Tribal Lending, LLC DBA Castle Payday; a tribal enterprise wholly owned and operated by the Lac Vieux Desert Band of Lake Superior Chippewa Indians, a federally recognized American Indian Tribe and sovereign government.

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NEW: Payroll Debit Cards – Another Loophole?

• Some allow borrowers to borrow for days worked in between pay periods

• How do the providers of payroll debit cards make money?

• Follow the money...
Providers of Payroll Debit Cards

- Around the country most payroll cards are issued by eight big banks:
  - JP Morgan
  - Bank of America
  - Wells Fargo
  - Citibank
  - U.S. Bank
  - PNC
  - Comerica
  - BB&T
What can WE do?
Educate our Students

“An informed consumer is less likely to be taken advantage of.”

Warren Buffet
Ideas to Consider

- Teach our students about ALTERNATIVES to payday lending
- Incorporate money management into campus financial literacy initiative or college success classes
- Start a mentoring group of students helping high school students with money management
Khan’s Academy

Payday loans

Annual Percentage Rate

25% per cent = 25% interest per 2 weeks

So this is a really, really, crazy annual percentage rate

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Lesson Plans

• St. Louis Federal Reserve

• Federal Trade Commission (www.ftc.gov)
Community Resources

• Bank On Florida
  ○ Designed for unbanked/underbanked people

• Florida Prosperity Partnership
  ○ VITA
  ○ Promoting awareness with local task forces
Advocacy Opportunities

• Write legislators – empower students to have a voice in this matter

• Join forces with other community-based organizations or faith-based groups to promote awareness
Contact Information

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SAVE THE DATE!

FASFAA 2016

May 24-27, 2016

Hyatt Regency, Coconut Point Resort & Spa Bonita Springs, FL