

Payday Lenders on the Hunt – Florida Loopholes Used to Camouflage the Debt Trap

The cycle of debt created by high-cost payday loans is a heavy burden to millions of Americans across the country. In 2001, in efforts to rein in an unregulated payday loan industry, the Florida Legislature passed compromise language heavily influenced by industry players. In exchange for minimal regulatory requirements, the industry was permitted to issue predatory loans, extracting millions in exorbitant fees each year from the Floridians that can least afford it. Payday loan lenders and their allies tout our state’s regulatory structure of so-called “best practices,” that in reality are well-disguised loopholes for their high-cost loans. The data shows the payday loan debt trap is lethal to the financial lives of thousands of Florida’s most vulnerable consumers.

Payday Lender’s So-called “Best Practices” Don’t Stop the Debt Trap

- **Limiting Borrowers to One Loan at a Time Fails to Limit the Pain.** In Florida, 85% of payday loans are issued to borrowers trapped in seven or more loans per year; 63% are to borrowers trapped in 12 or more loans per year.ⁱ
- **Rollover Bans and Cooling Off Periods Are No Off Ramp from the Debt Treadmill.** 88% of repeat loans were made before the borrower’s next paycheck.ⁱⁱ Additionally, Florida’s payday grace period fails at halting this cycle with less than 1% of eligible transaction employing this payment option.ⁱⁱⁱ
- **Databases Can’t Protect Borrowers in the Absence of Effective Regulations.** Real-time databases are necessary to enforce certain regulations, but fail to protect borrowers from the debt trap when our state regulations permit 390% APR payday loans, more than 20 times the criminal usury rate.

Payday Lenders Get a Leg Up by Pushing Floridians Down

- **Churning Loans Drives the Payday Business Model.** In Florida, churned loans (i.e. loans renewed within two weeks of the previous loan) account for 76% of payday loan volume.^{iv}
- **Cash Strapped Floridians Pay a Heavy Price.** From June 2011 to May 2012, payday lenders extracted more than \$305.6 million in fees alone from low-to-moderate income Floridians.^v
- **Elderly Community in the Crosshairs.** 1 in 5 of Florida’s payday borrowers is over the age of 55 and the proportion of borrowers over 65 increased by 73% from 2005 to 2011.^{vi}
- **Payday Lending is a Net Negative for Florida’s Economy.** A 2013 study found that payday lending in Florida resulted in a net loss of over \$76 million in economic activity for the state.^{vii}

Consumer Advocacy Orgs Agree the Debt Trap Harms Florida’s Most Vulnerable Communities

Highlighting the ineffectiveness of Florida’s “Best Practices” in a 2012 comment letter to the CFPB, advocates stated “[n]o amount of window dressing can avoid the fact of the dangerous terms of these loans – the high interest, short-term due date, single-balloon payment, and ... access to a borrower’s bank account... As shown by the current law in Florida, the payday loan industry will agree to any amount of statutory regulation if they can maintain the very terms of the products that create the debt trap and cause the most damage to low-income consumers.”^{viii}

**Florida Consumer Action Network
Jacksonville Area Legal Aid
Navy-Marine Corp Relief Society
War on Poverty**

**United Way of Florida
Consumer Federation of the Southeast
PICO United Florida
Florida Legal Services**

Sharing the ongoing burden of payday lending on Florida consumers, in a letter this past February, advocates urged the Florida Congressional Delegation to stand with the CFPB to end the debt trap that continues to persist in our state, declaring that their organizations “have become all too familiar with the devastation that payday loans cause to budgets of financially stressed Floridians. The core of the problem is the nearly inescapable cycle of debt that is triggered by payday loans.”^{ix}

**Florida Alliance for Consumer Protection
Jacksonville Area Legal Aid
Navy-Marine Corp Relief Society
Florida Consumer Action Network
Consumer Federation of the Southeast
Florida Legal Services
Florida Prosperity Partnership
Florida State Conference, NAACP**

**Legal Aid Society of Palm Beach County
Legal Aid Service of Broward County
Gulfcoast Legal Services
The North Florida Center for Equal Justice
Legal Advocacy Center of Central Florida
Brevard County Legal Aid
Faith in Florida**

Everyday Floridians Regret Swimming with Payday Loan Sharks

“I would take out a payday loan for emergencies and it would take me an entire year to pay it back. I would have to juggle all my other bills, causing more problems than I had in the beginning.” – Erin in Daytona Beach

“I caught up my bills at the time, but I was right back behind because the interest is so high. If you don’t pay them off, you have to go borrow the money again.” – Rachel in Jacksonville

“To anyone, don’t get a payday loan. Work other things out because you’ll pay twice as much. I was broke from the loan.” – Linda in Starke^x

Florida is No Model for Responsible Regulation

ⁱ *Florida Trends in Deferred Presentment: State of Florida Deferred Presentment Program Through May 2012*, Veritec Solutions LLC (May 2012). Available at <http://geerservices.net/veritecs.com/wp-content/uploads/2013/07/2012-FL-Trend-Report1.pdf>.

ⁱⁱ King, Uriah and Leslie Parrish, *Springing the Debt Trap: Rate caps are only proven payday lending reform*, Center for Responsible Lending (December 13, 2007). Available at <http://www.responsiblelending.org/payday-lending/research-analysis/springing-the-debt-trap.pdf>.

ⁱⁱⁱ *Florida Trends in Deferred Presentment: State of Florida Deferred Presentment Program Through May 2012*, Veritec Solutions LLC (May 2012). Available at <http://geerservices.net/veritecs.com/wp-content/uploads/2013/07/2012-FL-Trend-Report1.pdf>.

^{iv} Parrish, Leslie and Uriah King, *Phantom Demand: Short-term due date generates need for repeat payday loans, accounting for 75% of total volume*, Center for responsible Lending (July 9, 2009). Available at <http://www.responsiblelending.org/payday-lending/research-analysis/phantom-demand-final.pdf>.

^v *Florida Trends in Deferred Presentment: State of Florida Deferred Presentment Program Through May 2012*, Veritec Solutions LLC (May 2012). Available at <http://geerservices.net/veritecs.com/wp-content/uploads/2013/07/2012-FL-Trend-Report1.pdf>.

^{vi} United States Cong. Senate. Special Committee on Aging. *Hearing on Payday Loans: Short-term Solution or Long-term Problem?* July 24, 2013 (testimony of Rebecca Borne, Senior Policy Counsel, Center for Responsible Lending).

^{vii} Lohrentz, Tim, *The Net Economic Impact of Payday Lending in the U.S.*, Insight Center for Community Economic Development (March 2013). Available at <http://www.insightccd.org/uploads/assets/Net%20Economic%20Impact%20of%20Payday%20Lending.pdf>.

^{viii} Comment in response to CFPB Request for Comment on Payday Lending Hearing Transcript (Docket ID: CFPB-2012-0009). Florida Consumer Action Network et. al. (2012).

^{ix} Coalition letter of support for the CFPB's efforts to end the payday loan debt trap issued to the Florida Congressional Delegation. Florida Alliance for Consumer Protection et. al. (February 2, 2015).

^x Borrower quotes from Raise Florida Network.