POLICY IDEAS

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Oklahoma Policy Institute

2017 Policy Priority: Increase Consumer Protections From Predatory Loans

Background

In Oklahoma deferred deposit loans, better known as payday loans, are advertised as a way for people to get emergency funds for a short-term loan. In practice, these loans prey on low-income borrowers with exorbitant fees, creating a cycle of debt that can be nearly impossible to break out of.

Under Oklahoma law, payday lenders can charge what amounts to an annual percentage rate (APR) of 456 percent. In Oklahoma, about three-fourths of these loans are going to borrowers who take out 9 or more loans over the course of a year, and more than half of borrowers took out a new loan more often than six times per year. More Oklahomans turn to payday loans than residents of any other state.

The Solution

Oklahoma can follow the lead of 14 states that have established an APR cap of 36 percent. Federal laws enacted with bipartisan support already make it illegal to charge service members more than 36 percent interest on a loan.

As an alternative to this rate cap, Oklahoma could limit the number of days in a year in which a borrower has a payday loan outstanding and allow borrowers to take out no more than one loan at a time. Currently borrowers can take out two of these loans at once, which leads to a vicious cycle where borrowers take out a second loan to pay off the first and fall into mounting debt.

What You Should Do

Please contact your state Representative and Senator and urge them to support legislation that would put sensible consumer protections on payday loans. Tell them to reject legislation that allows new predatory lending practices such as 'flex loans' or 'installment loans.'

You can look up your Senator and Representative at http://okpolicy.org/find-your-legislator/, call the House switchboard at 405-521-2711, and call the Senate switchboard at 405-524-0126.