

Oklahoma Needs to Reform Payday Lending

Support HB1596

Payday loans are an extremely expensive form of credit

- Lenders can charge \$45 for a \$300 loan due in 12 days – an APR (Annual Percentage Rate) of 465 percent.
- The average APR on a payday loan in Oklahoma is 350 percent.¹
- Oklahomans paid a total of \$52.6 million in fees on payday loans in 2014.²

Payday lending is very prevalent in Oklahoma

- There were 320 licensed payday lenders in Oklahoma in 2014.³
- Oklahomans took out just under 950,000 loans in 2014; volume rose 18 percent from 2013.⁴
- Payday loan usage in Oklahoma is the highest in the nation, according to a Pew Trust study.⁵

Most borrowers use payday loans repeatedly for recurring expenses – not for one-time, emergency needs

- Borrowers are allowed two outstanding loans at a time, which means they frequently take out a second loan to pay off a first loan that comes due.
- A majority of all loans (50.6 percent) go to borrowers who take out an average of one loan per month or more. Nearly 75 percent of loans go to borrowers who have taken out 8 or more loans in a year.⁶
- A majority of borrowers (53 percent) take out 7 or more loans per year.⁷
- 69 percent of payday loan customers nationally say they took out their first loan for a recurring expense; just 16 percent borrowed for an emergency or unexpected expenses.

Payday lenders target economically vulnerable populations, including military families

- A 2015 study found that most of the payday lenders (199 out of 324) in Oklahoma were located within a 10-mile radius of military installations and bases.⁸
- The same study found that census tracts with economically vulnerable populations (elderly, young adults, immigrants and lower income) are more likely to be targeted by payday lending stores.⁹

Many states and the federal government have restricted payday lending

- 15 states prohibit payday lending entirely, while 8 maintain strong legal restrictions, including lower limits on fees or loan usage, or longer repayment periods.¹⁰
- Since Congress passed that Military Lending Act in 2007, loan companies cannot charge active duty military over 36 percent annual rate for some consumer loans, including payday loans.

There are alternatives to payday loans

- Most payday loan customers say that if payday loans were unavailable, they would cut back on expenses, delay paying some bills, borrow from family or friends, or find other alternatives.¹¹

Oklahoma has the chance to enact sensible payday lending reforms in 2017

- HB 1596 limits borrowers to one outstanding loan, require a 1-day wait period between loans, and limit borrowing to 90 days over the course of a year.

¹ Haydar Kurban and Adji Fatou Diagne, *Demographics of Payday Lending in Oklahoma*, Howard University Center on Race and Wealth, 2015 available at: http://okpolicy.org/wp-content/uploads/DEMOGRAPHICS-OF-PAYDAY-LENDING-IN-OKLAHOMA_1.pdf?x42044

² See Department of Consumer Credit, *Deferred Deposit Lender Report*, June 2015

³ See note 2

⁴ See note 2

⁵ The Pew Charitable Trusts, *Payday Lending in America: Who Borrows, Where they Borrow and Why*, October 2012; State Impact Oklahoma, "Oklahoma is #1 in Payday Loan Usage," July 2012

⁶ Veritec, *Oklahoma Trends in Deferred Deposit Lending, October 2011*. This was the last report from Veritec that was made publicly available.

⁷ See note 5

⁸ See note 1

⁹ See note 1

¹⁰ See note 5

¹¹ See note 5