

Payday Loans in Rhode Island Threaten Families' Financial Security

- Rhode Island payday loans are authorized to carry charges **as high as 260% APR**.
- Payday lenders can charge this rate in Rhode Island because in 2001, payday lenders received a **special exemption** from the state's usury laws, making RI the only state in the Northeast to do so. The exemption enables licensed check cashers to make payday loans as at 260% rather than complying with the state's small loan laws.

Payday loans drain millions from Rhode Island families and communities

- As a result of payday loans' triple-digit APR and ensuing debt trap, a typical Rhode Island payday borrower pays hundreds of dollars in fees, and is stuck in **9 payday transactions per year**, typically on a back-to-back basis.
- Payday lenders annually **drain millions of dollars** from Rhode Island families, mostly to out-of-state payday chains, such as Advance America (based in South Carolina) and Check 'n Go (based in Ohio).
- The payday industry depends on churning borrowers payday after payday. **Only 2 percent of payday loans** go to borrowers that take out a payday loan, pay it off, and don't come back for a year. The core of industry revenue comes from borrowers trapped in their faulty product.

The Solution: A rate cap levels the playing field and springs the debt trap.

- In Rhode Island, the cleanest way to rein in the 260% APR on payday loans is to **end their special carve-out** from the state's usury laws, thus creating a level playing field among small loan lenders and protecting consumers.
- Seventeen states plus the District of Columbia, plus Congress for members of the military, cap the interest rate for payday loans at or around 36%. Collectively, these states save their **citizens nearly \$2 billion per year** that would have been otherwise paid to predatory payday fees.
- Voters **overwhelmingly support capping the costs** of payday loans. For example, in 2008, voters in Arizona and Ohio defeated payday-sponsored ballot initiatives by 2-to-1 margins in both states, mandating an end to state statutes that allow 400% interest rates. In the November 2010 elections, 72% of Montana voters approved an initiative to cap the rates of payday loans at 36%.

36% Payday Loan Reform Supporters

AARP
AFSC-SENE
Black Political Action Committee of RI
Capital Good Fund
CCRS
City of Providence
CommunityWorks RI
Gloria Dei Lutheran Church
Gloria Dei Step Up Center
Housing Action Coalition RI
Housing Network of RI
Jewish Alliance of Greater RI
Macremi
Ministry of Justice
NeighborWorks Blackstone River Valley
Northern RI Community Services
Ocean State Action
Olneyville Housing Corporation
RI Interfaith Coalition to Reduce Poverty
RI State Council of Churches
Saint Michael's Parish
Smith Hill Community Dev. Corp.
The Economic Progress Institute
ULMAC
West Elmwood Development Corporation

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Payday Loans Don't Help

They make money problems worse

What You Need To Know

- Rhode Island Payday loans carry 260% annual interest rates.
- Rhode Island is the only state in New England that allows payday loans.
- Payday loans are designed to trap working people in debt.
- Payday loans drain millions from RI families and communities.



What Can You Do If You Are Caught in the Trap

Call a Certified Financial Counselor. These confidential services are **FREE**. You can locate a counselor at HUD certified HomeOwnership Centers and Financial Opportunity Centers across Rhode Island. Call United Way's 2-1-1 line for locations of these services.




What You Can Do To Help Your Community

- Spread the word. Tell your friends and families to avoid payday lending.
- Call your local legislators and tell them you don't want payday lending in your community.
- Help out with state house hearings and action alerts.
- Join the coalition!



Follow the Payday Reform Coalition

 End 260% Interest Rates in RI Now

 @PaydayReformRI

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