



Communities Against Payday Predators

MEDIA RELEASE

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Public Packs Hearings: Demands Cap on Out-of-Control 390% APR

Olympia – With over a month until the 2007 Legislative Session officially begins, it is highly unusual to have packed hearing rooms. But that is precisely what happened today in response to a work session on payday lending. The large numbers, most wearing bright red shirts and hats with the letters “CAPP,” were outraged by the practice of predatory payday loans.

The payday loan industry in Washington has become highly profitable and is fast growing. Studies show that these profits are made on the backs of the working poor and people of color who are enticed to get “quick cash” but end up paying a typical interest rate of 391% APR -- payday lenders are exempt from state usury laws that include interest rate caps for small loans.

“I took out a loan just to make it to my next paycheck, the next thing I knew I couldn’t get out of a spiral of debt. I didn’t realize how these loans are set up to make you fail,” said Patricia Davis a payday loan borrower.

According to a report by the Center for Responsible Lending issued yesterday:

- Nationally only 1% of payday loan borrowers take out one loan per year, others are trapped in a cycle of debt. In Washington State, 90% of those who use payday loans have 5 or more loans per year, 58% have 12 or more transactions per year.
- Many states have interest rate caps for financial institutions who offer small loans, but have allowed unlimited rates for payday loans which can be ten times higher. In Washington State, all institutions offering small loans have a cap of 36% and must abide by state usury laws, while the typical payday loan carries a 391% APR and are exempt from usury law.
- Predatory payday loans costs American families \$4.2 billion a year in fees, in Washington State it is \$174 million.

While payday lending was legalized in Washington in 1995, currently 11 states either ban or prohibit payday loans. “We’ve given the payday loan industry a decade of special privileges in Washington, allowing them to operate outside state usury laws,” says Rep. Sherry Appleton (D-23) who is sponsoring legislation this session, “it is time we do something to rein them in so working families can save money to build a brighter future.”

Growing momentum to rein in payday lending resulted in Oregon passing tougher restrictions on payday loans last year. In October, President Bush signed into law strict protections for military personnel, including a 36% cap on interest.

“Communities Against Payday Predators (CAPP) is pushing for reform to protect all consumers in Washington, not just military personnel,” said Aiko Schaefer, Director, Statewide Poverty Action Network. “All hard working people should be able to get fair and reasonable loans that include a cap on interest rates at 36%; ban the use of post-dated checks; and, allow people to take abusive lenders to court.”

Communities Against Payday Predators (CAPP) is the Washington campaign to stop predatory lending. A diverse list of groups who have endorsed the objectives of the campaign, these groups include, AARP, Washington State Labor Council, SEIU Washington State Council, League of Women Voters of Washington, Washington Association of Churches, Minority Executive Director’s Coalition, Washington State Veterans Legislative Coalition and the Washington State Coalition Against Domestic Violence.

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