Payday Loan Story Collection Analysis

Final Report To The RAISE Florida Network

Submitted by:

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Abstract
A total of 79 borrowers across Florida shared testimonials on their experiences with PayDay Loans with volunteers of the RAISE Florida Network throughout 2014. RISEP, as a research partner to the Network, conducted content analysis on these testimonials to provide this report to the Network partners as they move forward in 2015. While the testimonials revealed a "payday loan trap" across all regions, simply lowering interest rates on these loans may not go far enough in helping to create financial security for Florida's borrowers. We recommend long-term economic initiatives geared toward higher wages, occupational upgrades and educational assistance programs.

Executive Summary

The RAISE Florida Network focused on payday loans over the course of 2013-14, which entailed meetings and trainings of partners to collect testimonials from borrowers across the state. By October 2014, RAISE FL volunteers had collected a total of 79 testimonials from across Florida, with a total of 56 uploaded as comments to the federal Consumer Finance Protection Bureau during its request period. The Research Institute on Social and Economic Policy (RISEP) at Florida International University served as an academic partner in this endeavor. RISEP conducted demographic and content analysis on the testimonials to look for trends.

A 30-something male maintenance worker in Central Florida borrowed $500 from Amscot:

"It's a revolving debt cycle that is as close to impossible as it can get without actually being impossible to get out of. You can't get out from under it without starving yourself or borrowing more with higher fees. My story is: Borrow. Pay Back with interest. Bills Short. Borrow More. Pay Back with Interest. Bills Short. Repeat as Necessary."

Key Findings:

- 60% of loans from 3 lenders: Amscot (33%), Cash Advance (15%), Advance America (12%);
- Most testimonials speak to the negative consequences of taking out payday loans, whether it be high payoffs, crushing debt or emotional tolls such as humiliation, anxiety or depression;
- A careful analysis of these testimonials reveals two distinct but overlapping trends that cut across lines of gender, age, ethnicity, occupation, legal and employment status:

  1) PayDay loan companies make loans that borrowers, some explicitly and others implicity, call a "debt trap", in which multiple loans and fees make originally small loan amounts vastly more expensive; and

  2) PayDay loans are used as a method of "last resort" by working people from many different occupations, including teachers, consultants, mechanics and those with college backgrounds, to help pay for emergencies, since they have little savings and lack access to credit.

- While 45% of borrowers fell behind on other bills as a result of their payday loan, only about 30% went to anyone for help;
- Unexpected debts, often resulting from basic utilities (53%) or car problems (20%), served as triggers for borrowers to obtain payday loans; however, most borrowers felt that they lacked "choice" in obtaining emergency funds due to poor credit.

Borrowers' recommendations fell into three categories: 1) More governmental regulation to lower interest and fees; 2) Alternative loan programs and other financing options are needed; and 3) Structural changes are needed, creation of better jobs, higher minimum wages and benefits. To this list, RISEP adds educational assistance, enhanced financial education, credit repair, alternative loan programs to be implemented side-by-side. The goal should be to eliminate predatory loans as a "choice" altogether.

West-Central Florida Borrower:

"I think the government needs to help people get better jobs so that we don't need to use these types of places for services and also to create places where people could get loans at lower rates."

Introduction

The RAISE Florida Network is a grassroots coalition of organizations across the state of Florida whose mission is to "promote awareness, education, resources and advocacy for economic security and wealth creation for families and communities in Florida" (RAISE FL 2015). RAISE Florida focused on payday loans over the course of 2013-14, which entailed meetings and trainings of partners to collect testimonials from borrowers across the state.

From February 2014 to October 2014, RAISE FL volunteers collected a total of 79 testimonials from across Florida, with a total of 56 uploaded as comments to the federal Consumer Finance Protection Bureau during its request period for hearing on payday loans. RISEP stands for the Research Institute on Social and Economic Policy at the Center for Labor Research and Studies (CLRS) at the Florida International University in Miami.

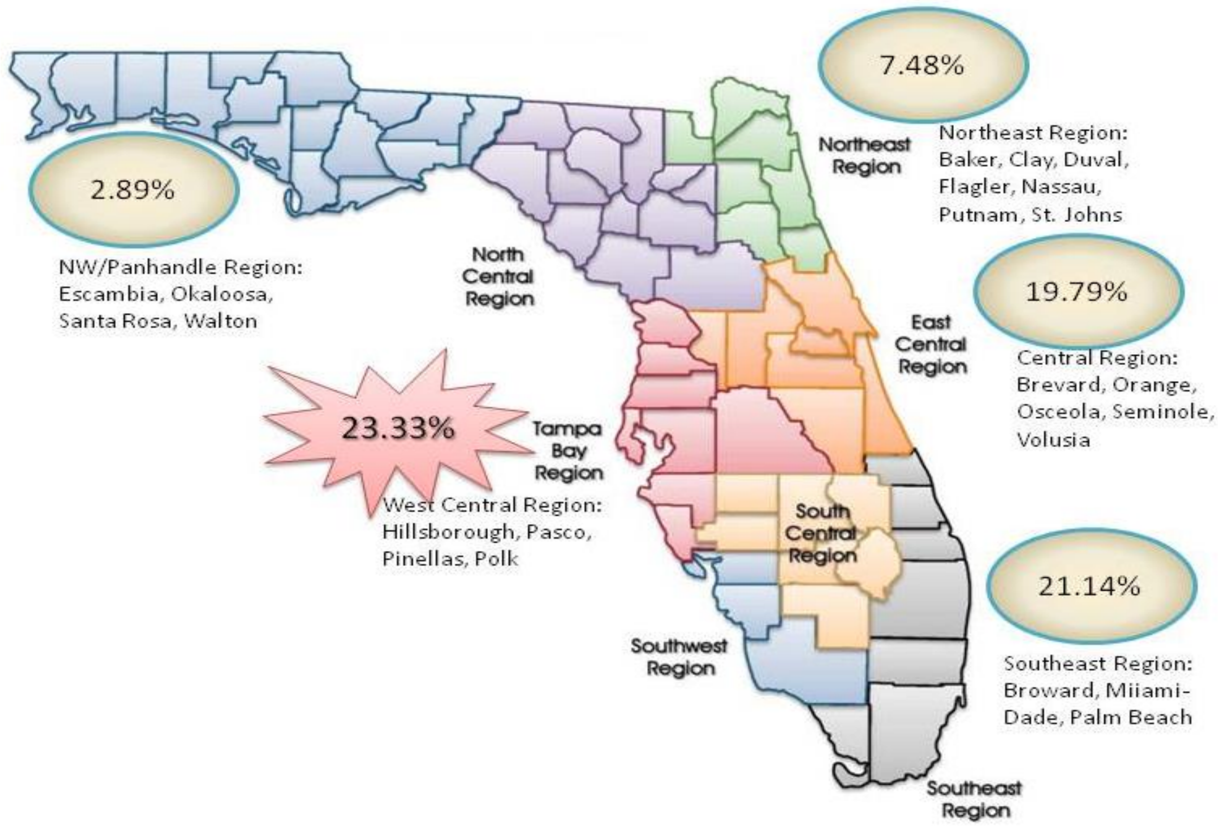
Other research has pointed to the negative effects of payday lending across the US and Florida. Lohrens (2013), the Center for Responsible Lending (2013), RISEP (2014) and Kurbin et al. (2014) have all documented the "wealth stripping" effect of high-interest short term loans at the individual, family and community-level. Accordingly, it is important to note that Kurbin et al. analyzed four Southern states and found that Florida was the hardest hit by payday lending (2014:1):

> "Results show that in Florida, the payday loan industry destroyed 2,150 net jobs, and reduced labor income, value added, and total sales by about $107 million, $308 million, and $381 million, respectively. As a result of this loss in spending, many jobs in Florida were stripped from the economy causing a loss in total economic output."

Florida is one of the only states to have a rule that payday loans be tracked. The state of Florida uses the term "deferred presentment" to encompass payday and short term loans. The 2001 Deferred Presentment Act requires the Office of Financial Regulation (OFR) to implement a "real-time statewide database for use by all licensed DPPs to capture and track deferred presentment transactions." The OFR also licenses and regulates vendors pursuant to Chapter 560, Part IV, Florida Statutes (Florida Office on Financial Regulation 2014).

Currently, the Florida Office of Financial Regulation (OFR) administers this rule and the Veritecs LLC is the outside vendor who analyzes payday lender data for the OFR. RAISE Florida and its academic partner, the Research Institute on Social and Economic Policy (RISEP) at the Florida International University, would like to thank the OFR for their assistance with this project.

The state of Florida's OFR tracks payday loan use by the county in which the transaction was initiated[2]. According to newer OFR data (10/14) released to us, payday loans are more heavily utilized in the metropolitan Tampa-St.Petersburg-Clearwater-Pasco area, for a total of 23.3% of all the loans in the State. South Florida, including the state's largest counties of Miami-Dade and Broward, accounts for 21.1% of the state's loans, followed distantly by Central Florida, encompassing Orange, Osceola,Seminole and Volusia counties, making up another 19.8% of loans. Together, these metropolitan areas account for almost 60% of all of Florida's payday loans, as depicted below.

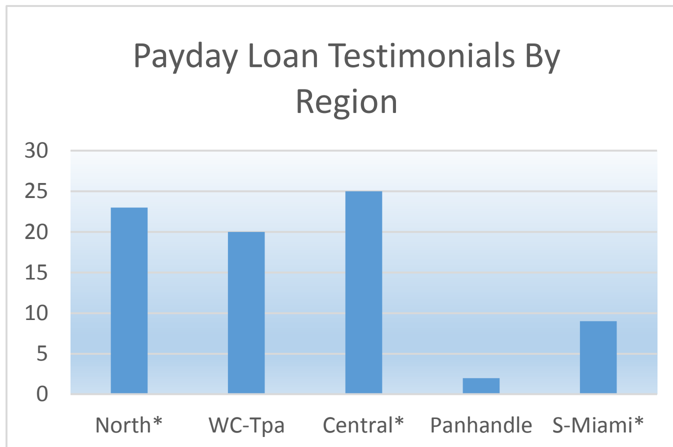


In the Spring of 2014, utilizing secondary data found in an online report by the Veritec, LLC corporation which is contracted through the Florida Department of Financial Regulation (2012), RISEP released a report outlining trends in Florida's payday loan industry. Highlights of this analysis using the state of Florida's data include:

> "[With] 1,600 stores, the payday lending industry has grown into $2.85 billion industry covering most of Florida. 7.2 million loans were issued in 2012…" (RISEP 2014: 1)
>
> "The $2.85 billion payday lending industry collects an estimated $284 million in fees, which are revenues for payday lending businesses." (RISEP 2014:2)
>
> "[S]tate regulations…..allow payday lending companies to charge an average annual percentage rate (APR) of 280% for a two-week loan." (RISEP 2014:2)

This report summarizes the efforts of the RAISE Florida Network in relation to payday loans and testimonials that were gathered from payday loan borrowers over the course of about 9 months in 2014. This is not a research study but rather a collection of testimonials, therefore, we do not claim the testimonials are all-inclusive or representative of all payday loan borrowers' experiences. Rather, these testimonials give us a snapshot of borrowers who were willing and able to speak with our volunteers throughout 2014. We stand behind these testimonials as borrowers' truthful accounts of their own experiences with the payday loan industry as well as their recommendations for improving the industry. We report on trends in borrowers' experiences with – and as a result of – payday loans. We aim to paint a realistic picture of why Floridians become borrowers and the impact this borrowing has on them, their families and communities in their own words.

Purpose and Methodology



The purpose of the story collection and this report is to accurately document users' experiences with the payday loan industry in Florida. The testimonials were collected in such a way as to reflect payday loan borrowers' views and recommendations in their own words, which we have maintained to the best of our abilities. We do not claim that these testimonials are a representative sample of all borrowers in Florida but rather they are a "snapshot" of borrowers who voluntarily shared their testimonials with RAISE Florida volunteers. These testimonials were transcribed and analyzed for this report, with only their names changed to protect their identity.

A total of 79 testimonials were collected by volunteers across Florida, with all regions represented. Of the 79 testimonials, a total of 33% came from the Northern Region, 29% from the West Central Region, 36% from the Central Region, 13% from the Southern Region and 3% from the Panhandle.

Borrowers are variable in age but typically have children and work, unless they are retired or on disability. This convenience sample is quite diverse both ethnically and regionally, with about 59% being African American/Black/Caribbean, 30% Hispanic, 6% White and 3% Asian. African Americans tend to be concentrated in the North and Central regions and Hispanics in West Central Florida; however, this is also an artifact of our community partners and their locations, missions and focus. The largest percentage of testimonials come from the Central Florida at 36%, North/Jacksonville at 33% with 29% from West Central Florida.

This sample is definitely skewed toward women. Almost four time mores more women (73%) than men (17%) responded to our queries about sharing testimonials on Pay Day loans. In Florida, women also tend to earn less than men and many of these women across our state are single working mothers. Likewise, the majority of these borrowers are parents and have an average of 1.7 children.

While we lack complete data, the vast majority, 85%, of the respondents are working and half are working full-time. However, 34% are working only part-time, which is not giving them enough income, as they state in their testimonials, to make ends meet, leading them to payday loans.

Table I: Demographic Overview of Payday Loan Borrowers in this Project

Region	Total #	%	% M	% F	Median Age	Children (ave)	AA/Black/ Caribbean/ Haitian	White	Hispanic	Asian
*North**	23	33%	13%	78%	20-29	1.8	17	2	2	1
WC-Tpa	20	29%	15%	85%	40-49	2.2	0	0	20	0
*Central**	25	36%	16%	72%	40-49	1.8	21	3	0	1
Panhandle	2	3%	0%	100%	30-39	3.5	2	0	0	0
*S-Miami**	9	13%	40%	30%	30-39	0.8	7	0	2	0
Overall Sample	79	100 %	17%	73%	30-39	1.7	47 (59%)	5 (6%)	24 (30%)	2 (3%)

Across the regions, the data vary considerably; however, the base rates are almost exactly what was reported by Veritec and analyzed by RISEP earlier this year for the Payday Lending Report (RISEP 2014). Notwithstanding, the figures reported below are based on self-report from individuals while the Veritec Data (2012) would presumably be far more accurate due to the fact it is a third-party data repository for the industry. There are regional differences in that the Panhandle and the North regions tend to take out slightly higher loans and also report paying higher average fees, hence higher payoffs. Each time a borrower takes out a new loan due to not having enough capital to completely pay off the previous loan, fees are included. In West-Central Florida, for example, the borrowers reported lower original loan amounts and lower average fees per transaction; however, in the end they paid some of the highest payoffs, reported at $732.80 for a $399.00 loan.

Table 2: Loans by Region, Amounts, Fees and Payoff

Region	Total #	Average Original Loan	Average Fees	Average Payoff
North[3]	23	$ 545.65	$ 143.01	$ 660.25
West Central-Tpa	20	$ 399.00	$ 42.40	$ 732.80
Central[3]	25	$ 509.88	$ 51.05	$ 604.19
Panhandle	2	$ 625.00	$ 102.50	$ 727.50
South-Miami[3]	9	$ 455.56	$ 122.89	$ 742.72
Overall Sample	79 (78 payoff)	$ 507.02	$ 133.82	$ 646.24

In reviewing the testimonials, we found that 60% of the borrowers had gotten payday loans from one of three lenders: Amscot (33%), Cash Advance (15%), or Advance America (12%). Other payday lenders mentioned were also authorized lenders such as Cash America (3%) and ACE Cash

Express (4%). Some lenders' names were not easy to track and are listed as "unknown" in Table 3. About 2% of borrowers obtained online loans.[1]

Table 3: Loans by Lender, in Alphabetical Order

Lender Name	Number	%	Authorized Lenders
ACE Cash Express, Inc.	3	4%	Yes
Ace Check Cashing and Amscot	1	1%	Yes
Advance America	9	12%	Yes
Amscot	26	33%	Yes
Auto Loan	1	1%	Unknown
Banker's Loan	1	1%	Unknown
Cash Advance	12	15%	Yes
Cash America	3	4%	Yes
Cash Quick	1	1%	Yes
Check Advance	2	3%	Yes
Check Cash	1	1%	Yes
Check nGO	2	3%	Yes
Community First	1	1%	Unknown
Easy Loan-online American Loan	1	1%	No
Money Tree	1	1%	Unknown
Pawn Value/Value Pawn	1	1%	Yes
Pay Day Loans	1	1%	Unknown
paydayloansonline	1	1%	No
Sunbelt	1	1%	Unknown
Title Loan	1	1%	No
US Bank	1	1%	Unknown
Don't Remember/NA	7	9%	
Totals	**78**	**100%**	

Three Key Questions and Their Answers

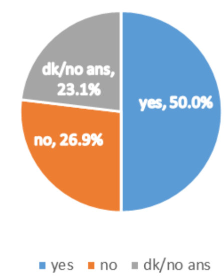
RAISE Florida members asked for testimonials across the various regions of the state and these have been very informative. To ensure we were able to gain a fuller picture of the process by which they obtained loans, members specifically asked three key questions to gage the pay day loan industry's practices as a whole:

1. When you took out the payday loan, were you asked if you had the ability to repay it?
2. Did you fall behind on other bills or experience other financial troubles because of your payday loans?
3. Did you need to go to anyone for help during this period?

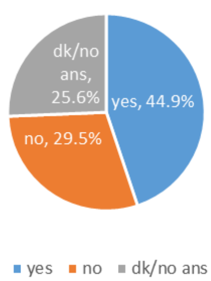
Below we will look at these answers in more detail.

In regard to the first question, "When you took out the payday loan, were you asked if you had the ability to repay it?", a full 50% or 39 of the 78 testimonial givers were asked if they had the ability to repay the loan, another 21 people (27%) stated that they were not asked . The remainder did not remember or did not answer the question (23.1%). For those who were not asked, we looked to see if they were more likely to report having financial troubles as a result of the loan. What we found is that 13 of the 21 borrowers who were not asked about their ability to pay it back reported that they had difficulties (62%). That figure comes out to 37.1% of all of those who reported further financial difficulties (13/35) in the following question.

Q 11: When you took out the payday loan were you asked if you had the ability to repay it?



Did you fall behind on other bills or experience other financial troubles because of your payday loans?

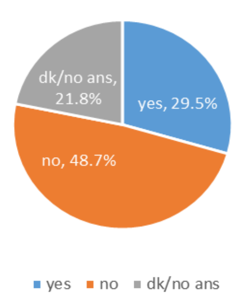


In regard to the second question, "Did you fall behind on other bills or experience other financial troubles because of your payday loans?," we found that 35 borrowers, about 45%, reported they did encounter problems as a result of the payday loan. Another 23 people (29.5%) reported they did not have problems while 25.6% either did not answer or did not remember. The 45% who reported resulting financial difficulties include 22 who were asked about their ability to repay the loan (63%), again a high percentage.

The third question was asked to gage how dire their situation may have become, "Did you need to go to anyone for help during this period?" This question had only 23 people respond in the affirmative or 29.5% of the 78 respondents. A much larger group of 38 borrowers, 48.7% of respondents, stated they did ***not*** get any outside help but about 22% either did not remember or did not answer. Twelve, or 15.4%, of all borrowers reported that they were asked if they could repay the loan but they still had financial difficulties and went to someone for help.

Another 6.4% (5) respondents stated that they were not asked about their ability to repay it, had problems and also had to seek outside help. We interpret this last finding within the context of this

Q 13: Did you go to anyone for help during this time?



analysis that included borrowers' understanding that they really had no other loan options, regardless of the amount of the loan. In other words, it seems that payday loans truly are the "loan of last resort" for many, and that, if borrowers had other options, they would not be using these businesses in the first place. Indeed, less than 30% reported they went to anyone for help, even after having problems paying back the loan. It seems reasonable that the decision to use a payday loan seems most attractive when other options have already been exhausted.

Testimonials that Explain the Trends

Below we share verbatim testimonials from borrowers *(in italics)*. A careful analysis of these testimonials reveals <u>two</u> distinct but overlapping trends:

1) PayDay loan companies make loans that borrowers, some explicitly and others implicity, call a "debt trap", in which multiple loans and fees make originally small loan amounts vastly more expensive; and

2) PayDay loans are used as a method of "last resort" by working people from many different occupations, including teachers, consultants, mechanics and those with college backgrounds, to help pay for emergencies, since they have little savings and lack access to credit.

In short, many borrowers' testimonials showed that Payday Loans are making up for lack of access to credit, low wages and unpredictable (precarious) employment for many. The debt trap is created, when any type of unexpected financial setback cannot be easily overcome, something that payday lenders know and promote as an "easy fix" to a long-term problem of "not enough money." When the chronic lack of funds becomes cyclical, fees pile up as additional loans are issued, trapping borrowers in ongoing payments (Center for Responsible Lending 2013).

A little over half, 52.5%, reported that they took out pay day loans to pay other bills, usually rent or utilities. This points to a lack of overall finances to keep up with an increasing cost of living for many in our state. Working people should not be forced to take out loans to cover basic needs such as rent and utilities; rather, their wages need to be paid at a rate that allows them to cover their expenses. This borrower reflects a common theme:

"It's not a good alternative, but it is the only one I have available to me right now."

Susan is a 50-something female currently employed as a school teacher in Jacksonville who simply ran into financial difficulties and took out a loan:

"I got a loan to help pay my bills during the summer. I am a teacher and do not get paid during summer vacation. I did not receive summer employment and was unable to get a small loan from my bank. Using a payday lender was my only option. The loan amount was $500, repayment of $555 at interest rate of 167.29%. Loan payment was due on 6/30/14, I requested an extension to 7/7/14 because I do not have the money to re-pay the loan. I am

caught up in a vicious cycle, robbing Peter to pay Paul. I may not be able to borrow the money from family or friends so I may have to request another loan."

Specific Testimonials: Debt Trap

Some borrowers spoke more directly about the debt trap than others. Across Florida, regarless of age, ethnic, gender and occupational lines, these borrowers described the revolving or cyclical nature of debt created by repeated loans, in their own words:

- A Central Florida 30-something white male maintenance worker borrowed $500 from Amscot:

  "It's a revolving debt cycle that is as close to impossible as it can get without actually being impossible to get out of. You can't get out from under it without starving yourself or borrowing more with higher fees. My story is: Borrow. Pay Back with interest. Bills Short. Borrow More. Pay Back with Interest. Bills Short. Repeat as Necessary."

- A female borrower who took out a $250 loan from Cash Advance in Central Florida ended up with a payback of $500. She concluded that:

  "Payday loans are a trap. They don't get you out of the hole they help keep you in the hole."

- Another working female borrower from North Florida had a similar experience with Advance America, when she borrowed $500 to fix her car and ended up paying back $610:

  "The loans help for the first time you need it because it covers the money for any situation you come across. At the same time it places you in a rotating cycle because you need to payback money you didn't have in the first place having to take out another loan."

- From West-Central Florida comes a shocking story of Stephanie who took out a $300 loan that ended up costing her a total of $2000 when she was finally able to repay the debt to Amscot:

  "My name is Stephanie, I am an office administrator and student at my local community college. I have been taking out pay day loans for over three years now. When I took out the first loan, I didn't realize that I was going to continue taking out loans to keep paying my late bills and at the end paying a larger sum. I needed to take out more money and it took several loan to be able to get out of the vicious circle."

- Jose, a father in West-Central Florida, found himself in a similar predicament when he took out a $500 loan that he paid over $600 back and still owed $204 in the end, defaulting on his obligation to Amscot:

  "My name is Jose, I am a store clerk with two young children. I took the loan because I don't have enough money to pay electric and apartment. My pay wasn't enough, but every time I paid it I didn't have money to pay other bills and that was my cycle of borrowing. I had to move to a mobile home because I don't have enough money to pay all my bills! It helped me to cover my emergency expense I had but it I ended up paying more than $600.00 in interest."

- A 20-something female who took out a "title loan" that she is still paying back in North Florida observed:

  "It seems to me that it really doesn't help people out except for that moment because they pay what needs to be paid. Then the interest is so high. Its triple, what they gave you. So you're still in debt."

These testimonials are shared here to give the reader a sense of the "payday loan trap" in the borrowers' own words.

Specific Testimonials: Low Wages, Transportation Costs and Lack of Access to Credit

This testimonial from North Florida speaks to the general view of many borrowers, who know that the loans often put them further behind:

> *"It is something I regret doing. The credit counselor, I don't understand it. It doesn't make any sense how you can pay them, if you can't pay the loan. If you need help and can afford it, it could be a good thing. You should borrow it from someone else. Not worth it, had to do credit counseling of $60 every two weeks and $50 goes to Advance America….*
>
> *Pay day loans need to be ended. Families that lose their homes, cars, etc suffer and they have no other way of getting money. That's it. Just don't do it. It's ok if you need a small loan, but not if you need a large loan….."*

Interesting linkages have been found across borrowers' testimonials related to lack of credit, transportation costs and pay day loans. Our analysis showed that almost everyone had transportation and almost all worked. However, borrowers themselves acknowledge that the cost of transportation alone may put fragile families at risk of crushing debt. Almost 80%, 47, of our respondents have a car, while only 12 (20%) do not. However, many testimonials echoed the difficult situations that arise when workers are faced with unexpected and higher bills related to car problems or repairs, having a car towed, or in general just paying for the car. These emerged in our analysis as critical triggers in decisions to take out payday loans, since borrowers are working and a car is necessary in order to get to and from work. In fact, over 20% of the testimonials speak specifically to small loans to cover these kinds of situations.

Consider, for example, this story from a 30-something teacher assistant who is only working part-time though she would like full-time work, in Hillsborough County. She took out a $200 pay day loan to fix her car, which she paid back six months later at $620:

> *"My name is Nieves, I am a single mom and have one four year old child. I have a budget. But any unplanned expense causes me lots of problems. In April of this year I ended up having to take a loan from AMSCOT because my 1996 civic broke down. My car is very important because it is the only way for me to get around living in a community with bad public transportation. As result of this loan, I ended up with more debt because now I had to cover my expenses and pay for the interest. I got charged a lot of interest. It has caused me lots of problems and repaying back has been hard and my credit got hurt more."*

Not only did she pay 3.1 times the amount of her original loan, but she did it in 6 months, which translates to approximately 600% interest.

- From North Florida, a security officer working part time, related on the connection between car problems and pay day loan troubles.

  "I got the loan to get the radiator on my car fixed. I became more in debt with the loan because of late then non-payment because I lost my job. My mom started helping make payments for a while. I spent money from my taxes to pay the loan back, over $1000 was paid for the original loan of $410."

- A mother from North Florida explained how extra financial stress affects a family:

  "Took out this loan to pay bills and car note. [I got] Late on bills and car was repossessed. My boyfriend took out a separate loan to pay car payments and electric bill so we can still stay at the house."

- A 40-something Latina from South Florida also got caught in the trap:

  "I am a mother of two, divorced over 5 years ago. I live paycheck to paycheck. It's very hard when something unexpected happens. My car broke down and the repairs were over $600.00. It was close to Christmas time so I decided to take out a payday loan from Amscot for $500. When I got the loan I thought that the $51.00 fee every two weeks was no big deal. But over the next 7 weeks I paid $25.50 per week. It was a whole other bill I never really planned for. Luckily I filed my taxed and received a refund that helped me pay off the loan, for a total of $729.59 paid. No more payday loans for me."

- A 59 year-old male consultant from Miami who used Check n Go put it succinctly:

  "The main thing that bothers me is people can't access funds the other way. The amount of interest can really affect people in a negative way. The regulation of interest rates [is needed]."

- Working at Wal-Mart, this borrower was at a loss when her undocumented husband was deported:

  "My name is Rosa, I work for Walmart and make $420.00 per week. In 2009, my husband was deported and I found myself struggling to pay my bills with my minimal pay. It's been a real struggle to keep my family fed and a roof over our heads. Because I am trying to meet all my bills, I had no choice but to get an advance loan. It is what I use to pay for my basic needs. I have several friends who are in the same situation. We don't have a choice but to pay high fees so that we can pay our basic needs. It doesn't seem fair or right. Because of this loan, I had to apply for public assistance."

Taken together, these testimonials illustrate the "payday loan debt trap" and the ensuing negative consequences that come from recurring debt. Often testimonials like the one above from Reyna stress the "lack of choice" that borrowers feel as they look for solutions to dire economic problems. Key characteristics of the debt trap are the recurring nature of the debt, which means new loans are continually or cyclically occurring, and the high fees associated with each new "loan" which translates to inflated payoff rates for borrowers who often did not have enough money in the first place. This debt trap has been documented in other research, most recently with the Pew Research Center that showed that 7% of all Floridians use payday loans (2014).

Recommendations from Borrowers

As the previous section illustrates, borrowers had a great deal to say about Pay Day Loans and their impacts. To be fair, we did hear from one or two borrowers who were cynical that any change from the government could help. For example, one borrower vowed to never use payday loans again and concluded, "The government can't fix this. You have to save money."

By and large, however, the vast majority were eager and insightful with their recommendations. Generally, their recommendations fell into three categories:

1. More governmental regulation is needed in lowering interest and fees;
2. Alternative loan programs and other financing options are needed;
3. Structural changes are needed, specifically in creation of better jobs, higher minimum wages and benefits.

Each of these areas will be explored independently below.

1. Recommendations related to governmental regulation:

In regard to governmental regulation, borrowers pointed to the need to reduce interest rates and fees and also extend the time frame in which the loan can be repaid without negative consequences, which would slow the debt trap. Other recommendations included more flexible terms and establishing an upper cap on the amount of interest that can be charged legally. Currently, Florida allows a rate of up to 280%.

A female from North Florida suggested:

> *"State of Florida Legislature, Change re-payment schedule, Make monthly payments instead of lump sum, Spread payments based on loan amount, lower rates, allow more flexible terms"*

Two women from West Central Florida independently commented:

> *"The government needs to regulate these high interest loan and they need to put a stop to these high interests. I wasn't aware of the high interest of these loans."*

> *"The government really needs to help our families and they need to stop AMSCOT from charging so much money to poor people."*

From South Florida, a working mother concluded:

"My payday loan was not a horrible nightmare but I know people who have had horrible experiences with them. Local laws should limit the annual percentage rates on these short term loans."

From North Florida, a 30-something male financial analyst presented a comprehensive list:

"Cap on pay day loans. Should have to make 4 times cap on interest. Extend time to pay back loans. 90 days isn't helpful. [Or]…Figure out how to stay out of it. [Offer] Financial education. Do your homework, self- educate. There is always a catch."

2. Recommendations related to alternative loans and programs:

Another group of respondents felt that payday loans should not exist but rather the "government" should provide other mechanisms that would avoid high interest and protect borrowers. Others discussed the need for more financial literacy education. A Central Florida male who has used payday loans for years recommended:

"The government should stop the cash advance system until they have a class of some sort so that people can be educated as to what interest rates really mean and why they are so high. Then people could understand the lending system better. A lesson taught is a lesson learned. The results of the loan was more debt, late on other bills, interest rates were high paid back more than I borrowed. "

A mother in West Central Florida suggested:

"The government should provide low cost loans to people so that we don't have to go to lenders that charge so much money in interest. We need more protection."

Another borrower who used Amscot in West Central Florida shared the following:

"Provide a program that can help people with small loans with less interest. I think the government needs to provide tools so that people can be able to be able to access cheaper loans or help people get jobs. I don't know why the government doesn't regulate these companies."

3. Recommendations related to structural changes:

As the last testimonial in Section 2 (above) mentions, borrowers understand that multiple changes need to happen in order to really improve the situation for borrowers who use payday loans. These testimonials reflect borrowers' understanding that they do not have good jobs that have kept up with the cost of living and look to the government to implement policies to improve job quality and pay. Additionally, borrowers know that payday loans are short-term solutions that often present other problems.

From the West Central region came the recommendation urging the government to improve job quality:

> *"I think the government needs to help people get better jobs so that we don't need to use these types of places for services and also to create places where people could get loans at lower rates."*

A retired woman from Central Florida observed:

> *"My thought is to raise minimum wages for workers then they won't have to go to a payday loan"*

From Miami, this recommendation is direct:

> *"[C]reate jobs that pay employees enough to keep up with the standard of living so they can pay their bills. I feel that these loans can make a person fall into terrible debt if they are not paid on time and they don't get out of them right away."*

These suggestions echo the recommendations outlined in previous reports ((Center for Responsible Lending 2013 and RISEP 2014). The reports reflect what these borrowers know: enhanced regulations are needed to protect borrowers. Similarly, Payday Loan lenders need to follow guidelines in establishing that borrowers understand the terms, are good candidates for the loan and can repay the loans. Government intervention in interest rates is critical, and indeed, the US government has capped the interest rate to 36% that members of the armed services pay (Center for Responsible Lending 2013).

Conclusions

The overall conclusions from this analysis of 79 testimonials from borrowers from across the state reveal statewide trends cut across lines of gender, age, ethnicity, occupation, legal and employment status. Those who are working less than full-time are understandably within the group finding it hardest to repay their debts, simply because they are not making enough income in the first place. Some of these borrowers simply could not pay off their debts while others are paying for years.

Our analysis of the questions related to pre-loan counseling, the impact of payday loans and whether or not they needed to go for help while they were repaying the loans shows that the payday loan debt trap is real and that, for the most part, borrowers view payday loans as a solution of "last resort" and therefore do not have access to other forms of help. Indeed, while 45% of borrowers fell behind on other bills as a result of their payday loan, only about 30% went to anyone for help.

The borrowers who shared their testimonials were clear about the recurring nature of their debt, the reasons for taking out small loans and their views and recommendations about these kinds of loans. Most testimonials speak to the negative consequences of taking out payday loans, whether it be high payoffs, crushing debt or emotional tolls such as humiliation, anxiety or depression. Recommendations tended to most frequently point to some form of governmental intervention in lowering or capping interest rates, policies favoring improved wages and quality of jobs or changing the terms of loans. While these types of intervention seem like they would address many of the major deficits we see in the current testimonials; however, the "elephant in the room" continues to lie in finding a champion to create these changes at the state or federal level.

Additionally, borrowers linked their loans to many hardships that are unavoidable, often related to unexpected bills (52%) or from car problems (20%). These borrowers often sense that they "have no choice." In many cases, they do not. Without some form of savings, credit or access to credit, they will face similar predicaments in the future. Enhanced financial education, credit repair assistance and alternative loan programs need to be implemented side-by-side, regardless of whether or not governmental intervention happens in the short or long term.

The goal should be to eliminate predatory loans as a "choice" altogether so that future borrowers can avoid the debt trap, keep money in their pockets and begin to build economic wealth within their families and communities. In looking at the large payoff amounts these borrowers report, one thing is clear: borrowers do have choices and the loan industry, not the borrower, profits from it.

Footnotes

[1]The OFR does not track on-line payday loans (Personal communication with OFR, 9/14).

[2]OFR's rule requires lenders to report loans at origination (Personal communication with OFR, 9/14).

[3] Some respondents in the North, South and Central region are in the process of paying back loans and/or do not recall the amounts; therefore, these figures are not available.

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