

Show-Me Predatory Lending: Where Does the Money Go?

Poverty at Issue Research Report

January 2012

Abstract

Predatory lenders design and promote loan products that often target low-income families and communities of color in Missouri. These loans carry very high interest rates, trap borrowers in a cycle of debt, and are made without consideration of borrowers' ability to repay. Wealth is drained out of Missouri because the loan companies engaging in predatory lending practices are primarily located out of state.

What is Predatory Lending?

Predatory lending practices typically involve high interest rates, excessive fees, deceptive and aggressive marketing, and a general lack of concern for a borrower's ability to repay.¹ Loans that commonly carry predatory characteristics include payday, car title, consumer installment, overdraft, rent-to-own, and tax refund anticipation loans. This report focuses on the most prevalent high-cost, small-dollar loans in Missouri.



Predatory Lending in Missouri: A History

1930s: Some of the earliest reports in Missouri of payday lenders using postdated checks to evade usury and credit disclosure laws trace the practice back to Kansas City.²

1980s: State regulators seek to end lending schemes that violate state laws.³ During the 1980s, Missouri has interest rate limits in place to enforce against abusive lending. In fact, for the greater part of its history, Missouri has limited annual interest that could be charged on small loans.⁴

1991: The Missouri Legislature makes high-cost lending practices legal by granting payday lenders an explicit exemption from the state's historic usury laws.⁵

1998: The Legislature eliminates the usury cap altogether, thus allowing unlimited interest rates across a range of consumer credit products.⁶

Missouri legislators authorize another form of high cost lending--car title loans, which use a borrower's car title as collateral for the loan and typically carry annual percentage rates of 300%.⁷

2001: State Auditor Claire McCaskill finds abusive loan practices are pervading the “instant loan industry.”⁸ However, the report concluded that “state laws favor instant loan lenders, often leaving loan consumers in a debt cycle and paying up to three times the loan’s initial value.”

In response to broad-based community calls for new legislation that would rein in payday loan abuses,⁹ the Missouri Legislature enacts a set of changes to the small loan laws.¹⁰ These changes are still current law, and still permit unlimited interest rates on payday, car title, and other small consumer loans.¹¹

2002: The Legislature requires the Missouri Division of Finance to report biennially on the state payday loan industry; however, the report is comprised of mailed-in responses by lenders that are not sworn statements.¹²

2010: Twenty years after payday lending first became legal in Missouri, the industry has swollen. Missouri is one of the leading states for payday lending, with over 1,000 active stores and about 2.43 million loans made each year with an average APR of 444.61%.¹³

The St. Louis Post Dispatch reports car title lenders are operating under small loan licenses, finding that more than 20% of Missouri's 298 licensed title-lending locations are licensed to deal in small loans and about a third of the licensed title lenders offer installment loans.¹⁴

2012: License shopping continues, as current data on active licenses for lenders in Missouri with the word "title" in their names (i.e., 396 storefronts with names such as Title Cash of Missouri, Title Lenders of Missouri, Title Loan Co. and TitleMax) include only 68 lenders that are actually licensed as title lenders.¹⁵

Missouri’s Patchwork of Laws and Loans

The piecemeal structure of Missouri loan laws and the absence of interest rate limits have enabled a long history of license shopping and product swapping among Missouri’s high cost lenders. For example, consumer lenders can operate under various sections of the Missouri Revised Statutes without concern for consumer interests or meaningful limits on permitted charges. Some title and payday lenders operate under Section 367.100 (traditional small loan license), while others operate under the specific sections for title or payday lenders.¹⁶ Many operate under multiple licenses.

Types of Small Loans in Missouri

Payday loans involve a borrower writing a postdated personal check to a payday lender for the amount borrowed plus interest. The lender then advances the borrower up to \$500 and holds the check until the borrower’s next payday, typically in 14-31 days. The borrower returns to reclaim the check by paying off the loan in full plus interest, or extends the loan for another 14-31 days. The average annual percentage rate (APR) of interest for payday loans in Missouri is 444.61%.^{17, 18}

Car title loans are loans to borrowers who use their car as collateral. After 30 days, the loan either is paid in full or extended for another 30-day cycle, or it goes into default and the vehicle is repossessed.¹⁹ Missouri law does not limit the interest that may be charged on these loans, and up to \$75 in up-front fees and whatever other fees the borrower agrees to are also permitted.²⁰ This fee structure results in 300% APR on a typical car title loan in Missouri.²¹

Consumer installment loans may be in any amount, secured or unsecured, but must be repayable in at least four equal installments over a period of 120 days. There is no limit on the amount that can be charged on these loans.²² Although they are authorized under a different part of Missouri statutes, they typically look like payday and car-title loans, with triple-digit interest rates and repeat financing.²³

Small loan was a designation created for loans above \$500.²⁴ There are no limits on fees, interest, or payment terms, and they again typically carry triple-digit interest rates.

These loans, which make up the bulk of predatory small dollar lending in Missouri, may have different names and vary in structure; yet they share two characteristics that concern many anti-poverty advocates: triple-digit interest rates and perpetuating a cycle of repeat borrowing. Additionally, all of these loans are tied back to the place in Missouri law that once included the state's interest rate limit. Unfortunately for borrowers, that interest rate has been chipped away and eventually eliminated by the state legislature in recent years. Missouri has no usury limit.

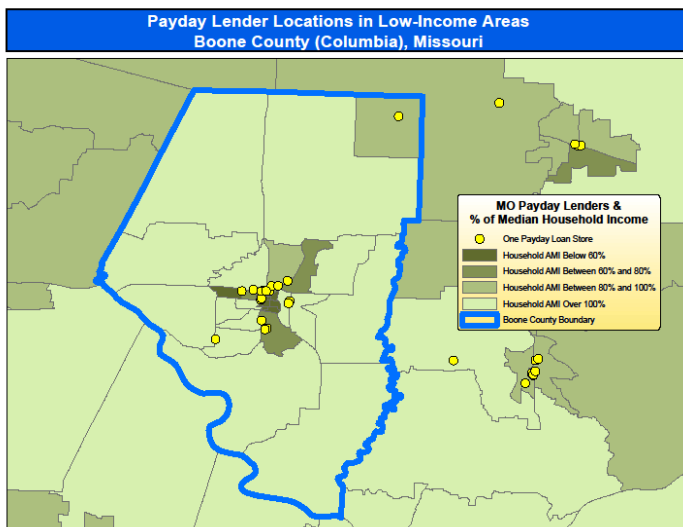
High-Cost Lenders Concentrate on Low-Income Borrowers

Research consistently shows that high-cost, predatory lenders concentrate in low-income communities.

- Payday lenders are more likely to be located in low-income neighborhoods.²⁵
- The typical payday loan borrower has low to moderate income.²⁶
- Low-income consumers typically lack financial knowledge, have little or no assets, and have shorter financial planning horizons.²⁷
- African-American neighborhoods are significantly more likely to have more payday lending stores per capita than white neighborhoods, even when controlling for neighborhood characteristics of income, homeownership, poverty, unemployment and other characteristics.²⁸
- A study of consumers in the Chicago area found the typical consumer installment borrower to be female, living in a lower-income and predominately minority community, and earning a median net salary of \$34,277.²⁹
- A nationally-representative survey found similar results, with consumer installment borrowers more likely than non-borrowers to have lower incomes, be non-White, live in rental housing, have less education, be younger in age and have children in their households.³⁰

A 2007 Missouri Division of Finance report surveying about 3,700 borrowers reported similar findings, at least for payday loan borrowers:^{31, 32}

- The average consumer taking out payday loans was 43 years old and had an income of \$24,607.
- The vocations of borrowers included 21% classified as “labor” and 12% classified as “secretarial/clerical.”
- Twelve percent (12%) of loans analyzed in the report were made to consumers on Supplemental Security Income (SSI) or disability.



Center for Responsible Lending
Source: Lender storefront addresses from Missouri Division of Finance as of April 2011

See the maps in the Appendix for the locations of payday and other high cost loan stores in St. Louis, Columbia, and Kansas City. These maps geographically represent payday loan and high cost lender (i.e., see *Types of small loans* section on page 2 of this report) storefronts in these cities/counties as well as incorporate Census 2010 data on median household incomes by Census tracts.³³ The locations appear to be consistent with the general body of research of being predominantly located in low-income communities. It

should also be noted that, in Missouri, payday lenders have operated on the premises of approximately 90 nursing homes.³⁴

Despite these findings, industry representatives in Missouri claim that payday loan customers “are the heart of America’s working middle class” and that “all have jobs and checking accounts, average more than \$40,000 in annual income, have credit cards, are married and have children.”³⁵

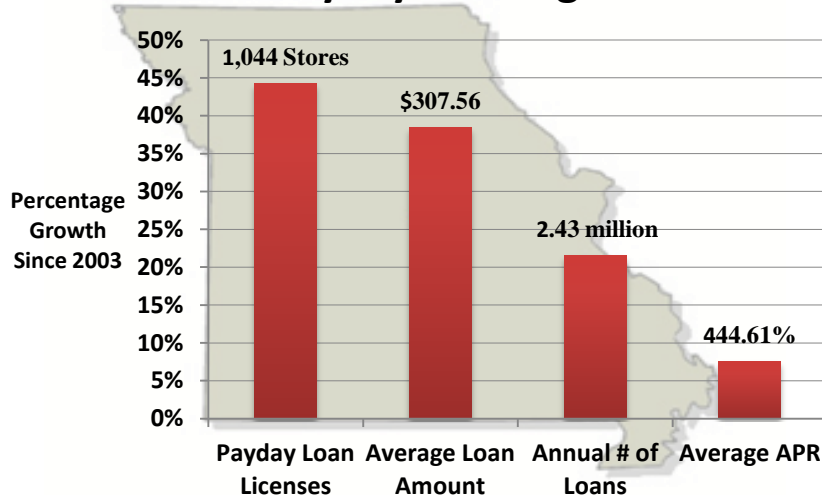
Payday Lending: A Closer Look

Missouri’s regulatory environment has allowed payday lending to thrive. For example, there are over twice as many payday loan stores in Missouri as there are McDonald’s restaurants and Starbucks combined.³⁶ Further, compared to our eight contiguous states, Missouri:

- Has the highest average annual percentage rates (APRs) of interest
- Has the second most payday lenders, with only Tennessee ranking higher
- Is the only state to allow loan renewals

The chart below gives figures on the current state of payday lending in Missouri, as well as the growth since the Missouri Division of Finance began reporting in 2003.³⁷

Missouri Payday Lending Growth



Payday loan borrowers are getting trapped deeper in the payday loan debt cycle as lenders are squeezing more from existing customers. Although the number of payday loans stores has increased since 2003, caution should be taken in interpreting this trend as evidence of a high demand, as evidenced in part by the data below gathered from the two most recent Missouri Division of Finance annual reports on the payday loan industry.³⁸

- Between 2009 and 2011, the industry in Missouri shrank:
 - Number of active licensees declined by 18%, from 1,275 to 1,040.
 - Loan volume declined by 14% from 2.83 million to 2.43 million.
- However, average interest rates, as well as loan amounts, have continued to rise:
 - Average loan size grew from \$290 in 2009 to \$307 as of January 4, 2011.
 - Average APR grew from 431% to 445% APR due to increases in fees.

Taken together, the figures in this section do not reflect a strong demand for payday loans in Missouri. Rather, it is likely that the predatory lending environment in Missouri (e.g., high-interest, short-term) mirrors research conducted in other states - specifically, that **the majority of predatory lending volume is generated by borrowers trapped in the debt cycle and needing to take out additional loans immediately or soon after paying one off.**

In spite of the industry's public claims that payday loans meet a short-term, one-time need for emergency cash, Cash America CEO Dan Feehan said this at the Jeffries Financial Services Conference on June 20, 2007: "The theory in the business is you've got to get that customer in, work to turn him into a repetitive customer, long-term customer, because that's really where the profitability is."³⁹

Industry data show patterns of repeat borrowing as core to the business model of these high-cost lenders:

- Over 75% of payday loan volume can be attributed to repeat borrowers, whereas only 2% of loans go to borrowers who take out a loan, repay it, and do not come back for a year.⁴⁰
- According to the CEO of one of Missouri's largest car title lenders (TitleMax), "the average 30-day loan is typically renewed approximately 8 times, providing significant additional interest payments."⁴¹
- Over 70% of consumer installment loans are made to repeat borrowers in the form of renewals.⁴²

Payday Loans Lead to Long-Lasting Financial Consequences

Payday lenders often claim that borrowers do not have problems with their loans. Lenders cite information about the small number of consumer complaints and high repayment rates.

Available data run contrary to these claims. For example:

- The Missouri Division of Finance receives more complaints about payday lenders from consumers than agencies do in neighboring states. For example, consumers called in about once every working day in 2010 to complain about payday lenders.⁴³
- Better Business Bureaus also frequently receive complaints. For example, the St. Louis BBB received 473 complaints related to payday lenders in 2008.⁴⁴

The devastating impact of payday loans reaches far beyond the need to file a complaint with an oversight entity. It also undermines a family's financial stability generally, leading to greater demand on social service agencies and greater difficulty in meeting other basic expenses such as medical care. In 2010, the Texas Catholic Conference spent \$1 million on financial assistance to clients buried under payday or car title loans.⁴⁵

Other studies have reported that payday loan use correlated to higher rates of delinquency on other bills, such as credit cards or medical bills.⁴⁶ It also leads to increased rates of involuntary bank account closures, typically due to the repeat overdraft and insufficient fees because the payday loan is secured by a borrower's post-dated check.⁴⁷ Finally, studies at University of California, Berkeley and the University of Oxford, using data from Teletrack (a collector of non-traditional consumer credit data), suggest that payday loan use increases rates of bankruptcy. Researchers compared similarly situated first-time payday loan applicants and bankruptcy rates and found that those who received a payday loan were twice as likely to file for bankruptcy as those who were denied a payday loan.⁴⁸



As to claims of high repayment rates, payday lenders report that 6% of their loans default.⁴⁹ However, it fails to reflect what happens to the actual borrower, not just the loan. Most payday loan borrowers are caught in a cycle of debt and have multiple payday loans per year, suggesting the possibility that payday lenders may have made their money back multiple times from a

borrower before default. Studies show that nearly 50% of borrowers will eventually default on a loan, and by the time this happens, they will have paid over 90% of the loan amount in fees alone (none of which the payday lender uses to reduce the amount of the outstanding debt).⁵⁰ Once a borrower defaults, no matter whether the fees or interest she has paid over time exceeds the original loan amount, the borrower is subject to bounced check fees and aggressive debt collection tactics by the payday lender, in addition to triggering overdraft fees from the bank. Some borrowers face other charges when they default, such as theft by deception or breach of contract.⁵¹ These serious consequences of default reflect the high risk of the product itself.

Missouri High-Cost Loans Benefit Out-of-State Companies

The largest storefront lenders of payday loans are out-of-state companies. As the table below shows, 8 of the top 10 payday lenders are headquartered outside Missouri. In other words, it seems that Missouri's patchwork of laws attracts the highest-cost lenders from around the country.

Table 1: Missouri's Top Ten Largest Payday Lenders

Payday Lender	Number of Stores	Corporate Headquarters
QC Holdings	106	Kansas
Advance America	83	South Carolina
BnT Loan	62	Missouri
Check Into Cash	47	Tennessee
Title Cash of Missouri	42	Alabama
Missouri Title Loans	28	Georgia
Ace Cash Express	27	Texas
Check N Go	24	Ohio
Missouri Loan Center	17	Missouri
EZMONEY Missouri, Inc.	17	Texas

Source: Missouri Division of Finance Licensee Search

These same patterns hold true for the entire landscape of high-cost small dollar loans in Missouri – 8 out of the top 10 lenders are based out of state, and payday lenders again top the list.

Table 2: Missouri's Top Ten Largest Consumer Credit Lenders

High Cost Lender	Number of Stores	Corporate Headquarters
QC Holdings	106	Kansas
Advance America	83	South Carolina
World Acceptance	66	South Carolina
BnT Loan	62	Missouri
TitleMax	59	Georgia
Security Finance	48	South Carolina
Check Into Cash	47	Tennessee
Title Cash	42	Alabama
King of Kash	37	Missouri
Citifinancial	32	New York

Source: Missouri Division of Finance Licensee Search

Every lender listed operates in Missouri with no meaningful limits on rates they can charge. The dominance of out-of-state companies in Missouri's high-cost lending landscape is important when considering the costs of these practices both to low-income consumers and to the state as a whole. It indicates that the high-cost interest repeatedly charged on these loans is not only being drained from consumers already living paycheck to paycheck, but the money is leaving the state. Estimates by the Center for Responsible Lending project that over \$317 million in the U.S. is drained annually by payday loans alone, not even counting the amounts paid to high-cost car title and installment lenders.⁵²

Policy Discussion

Clearly, Missouri is not the only or first state to have high-cost small dollar loans. As such, it is informative to look at policy solutions that have been attempted, and proven effective, in other states.

A range of states seeking to address payday lending have attempted to use a combination of reforms that still allow triple-digit interest rates. In these states, such as Kentucky, Florida, and Oklahoma for example, the reforms such as renewal limits, loan limits, and cooling off periods are enforced through a database. Publicly available data in those states, however, actually form the basis for what is known about the extensiveness of the debt trap. **In these states, the typical borrower is stuck in over 8 loans a year,⁵³ 60% of the revenue is generated by borrowers stuck in 12 loans or more a year,⁵⁴ and only 2% of loans go to borrowers who are**

able to pay off the loan and not come back for a year.⁵⁵ Thus, these types of reforms do not address the core cycle of debt.

One state that has particular telling lessons for Missouri is New Mexico.⁵⁶ In 2007, New Mexico enacted reforms – still permitted interest rates above 400% and implemented a database to attempt to enforce things like renewal bans and loan limits.⁵⁷ However, in enacting these reforms, New Mexico failed to address the high rates permitted in other areas of its statutes, such as for installment lenders. As a result, virtually all of the payday lenders in the state migrated to installment lending in order to continue offering loans of 400% or more, with borrowers unable to notice any real difference in their experience, remaining indebted for long periods of time.⁵⁸ This is an important point for Missouri in light of the patchwork of laws that allow unlimited interest rates and the pervasive license jumping among lenders that already occurs in our state.

For a number of years, community and church groups in Missouri have been seeking reform of payday lending by enacting a 36% rate cap. Currently, there are 17 states, plus the District of Columbia, which limit the interest rates at or about this level.⁵⁹ Supporters of limiting the interest rates typically point to the ineffectiveness of other reforms as a reason for why this may be the only solution to the problem. In addition, there is evidence that the policy trend nationally is moving toward limiting the interest rates. Since 2008, there have been three ballot initiatives on this issue in Arizona, Ohio, and Montana.⁶⁰ In each state, the voters reached the same decision – to enact a rate cap rather than continue with 400% interest rates in their state.

In 2006, the U.S. Congress enacted a 36% rate cap for payday and car title loans made to military families. The bill to enact this rate cap for the military was sponsored by Missouri Congressman, Jim Talent, who said, “We need to enact these new protections for our troops and their families because a growing predatory lending problem has impacted our operational readiness.”⁶¹ The U.S. Department of Defense studied the problem in depth and found that high-rate predatory loans were undermining soldiers’ military readiness.⁶² The Congressional act does not cover veterans or reservists, only active military families.

The payday loan industry (and its proponents) opposes efforts to limit the interest rates, generally with claims such as lack of access to credit or loss of jobs.⁶³ Again, these claims do not seem to survive closer scrutiny. As one example, in North Carolina, which has had a uniform rate cap of 36% since 2001, small dollar lending under 36% APR increased by nearly 40% in the years following the end of 400% interest rates in the state.⁶⁴ In terms of jobs, the largest lenders in Missouri experience high rates of employee turnover. QC Holdings and Advance America – the state’s two largest lenders – both reported over 75% turnover rates among storefront employees in 2010.⁶⁵ Nearly half of these employees left the stores within the first 6 months of employment.⁶⁶

Conclusion

Missouri's lending laws were historically rooted in widely accepted interest rate limits. In recent years, these limits have been chipped away by the legislature at lenders' requests. As the laws loosened, it appears Missouri has become a magnet for some of the high-cost lending products from around the country. At the same time, communities, churches, social service agencies and others helping Missourians who struggle to survive from one paycheck to the next, have repeatedly asked for a reprieve from these high-cost practices.

Studies focused on Missouri, ranging from the state auditor study in 2001 to the Better Business Bureau study in 2009, consistently report abusive practices of triple-digit interest rates targeting low-income Missourians, by locating directly in nursing homes in some cases. These studies and the experience of those working to alleviate poverty speak to the problems of the Missouri patchwork of laws that allow very high rates across small loan products, making them virtually indistinguishable from each other in terms of the financial impact on financially strapped families. The experience of other states that have too narrowly tried to address the problem is particularly instructive for Missouri. In other words, too narrow an approach is like plugging just one little hole in a sinking ship.

The most effective policy solution to ensure Missouri has a law that facilitates a robust, responsible lending market is to restore Missouri's historic interest limits. By doing so, Missouri could **effectively stitch together this patchwork of high-cost lending laws**. With APRs currently as high as 1,328% in Missouri, predatory practices strip hundreds of millions of dollars annually from Missouri's hardest hit families. Missourians will be better served by policies that prevent poverty rather than the status quo of predatory lending practices that push families into deep financial stress.

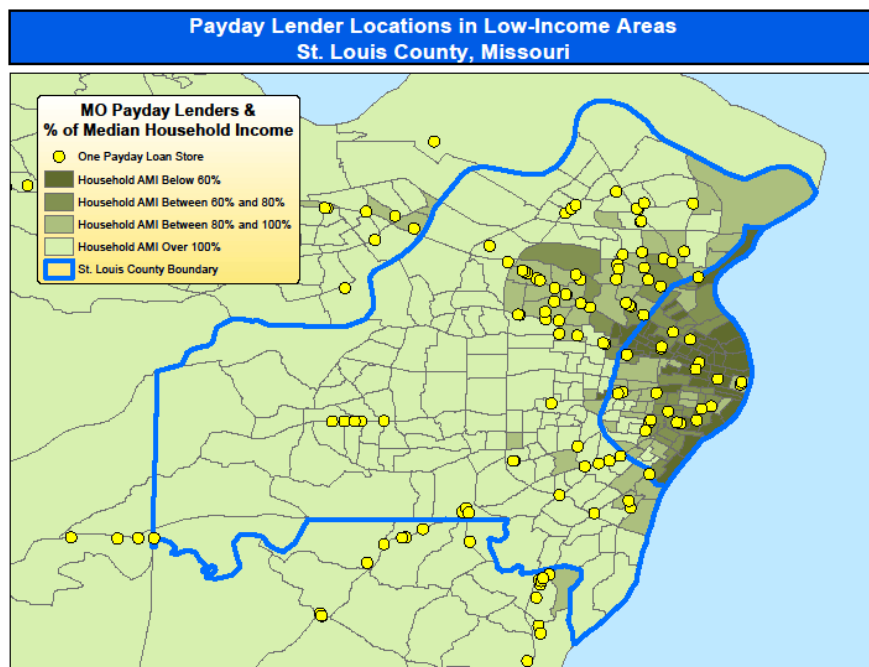
Research and analysis for this report conducted/compiled by:

Graham McCaulley, M.A., Extension Graduate Assistant, and Brenda Procter, M.S., State Specialist & Instructor, Personal Financial Planning, College of Human Environmental Sciences, University of Missouri Extension

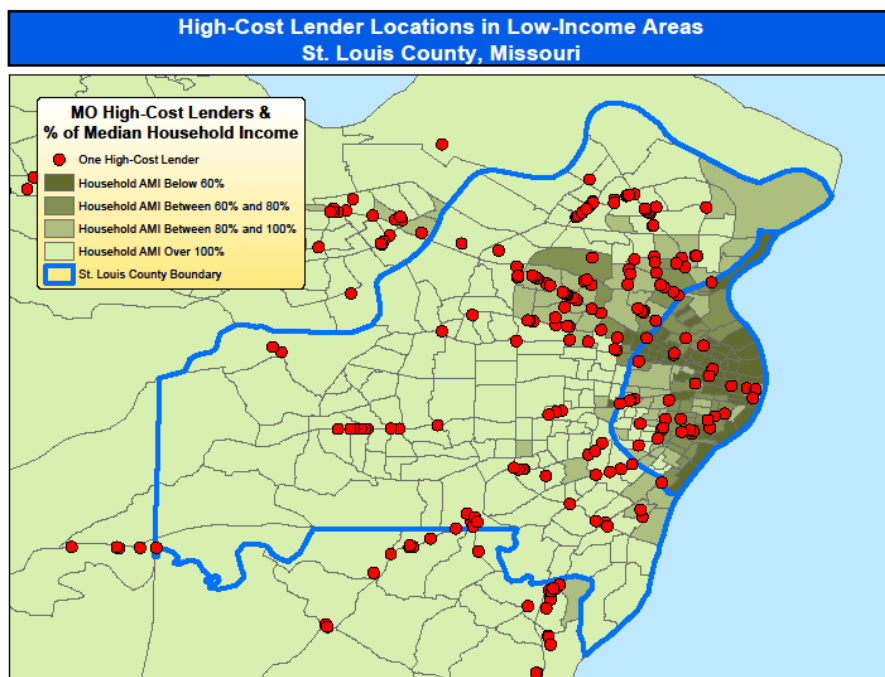
UNIVERSITY OF MISSOURI
Extension
Equal opportunity/ADA institution

Appendix

Geographical Representations of Payday and High Cost Lender Storefronts by 2010 Census Tract Median Household Incomes for St. Louis, Kansas City, and Columbia, MO⁶⁷



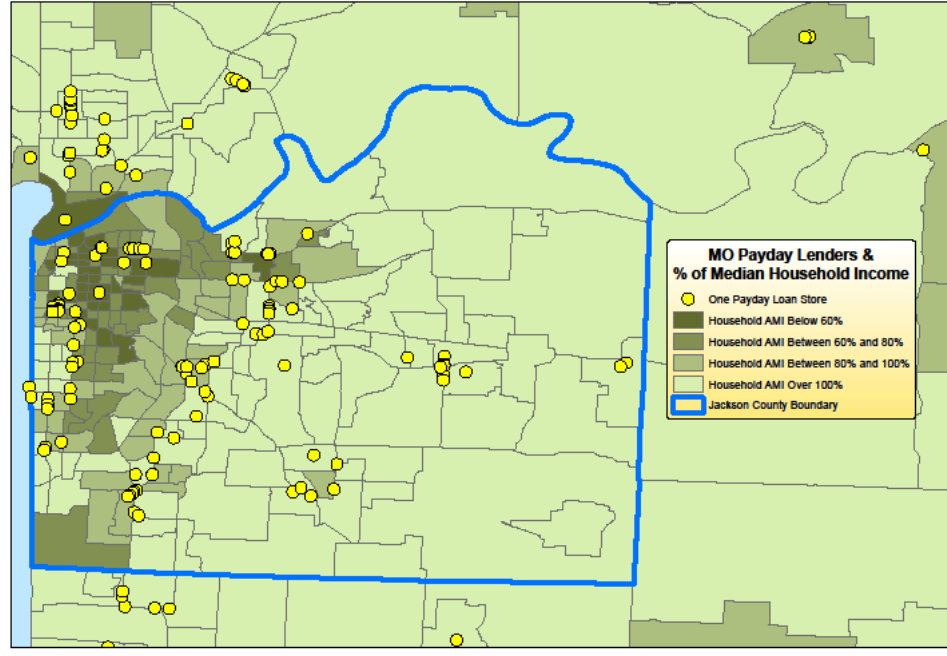
Center for Responsible Lending
Source: Lender storefront addresses from Missouri Division of Finance as of April 2011



Center for Responsible Lending
Source: Lender storefront addresses from Missouri Division of Finance as of April 2011

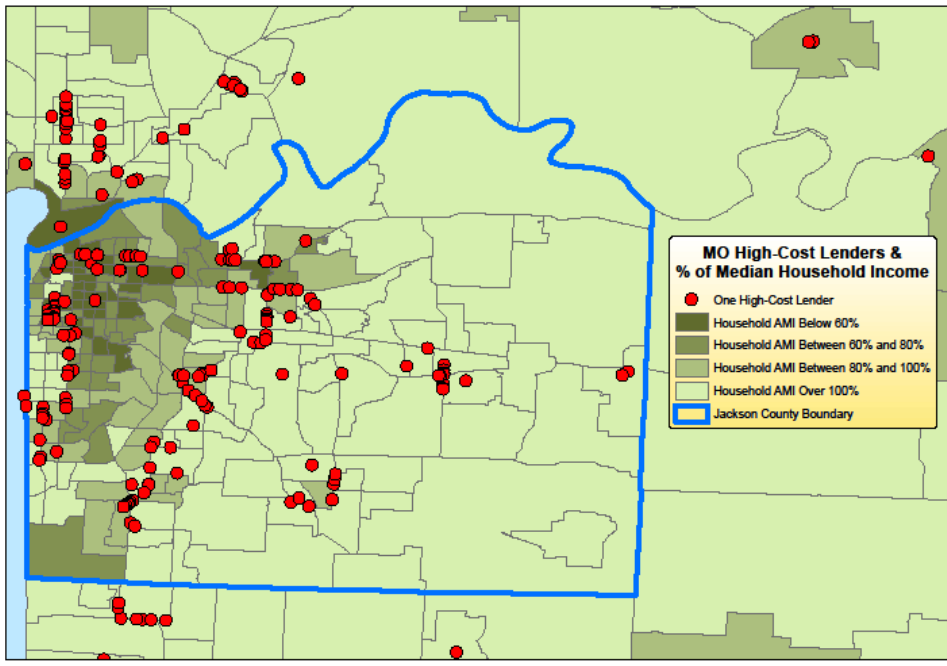
Appendix

Payday Lender Locations in Low-Income Areas Jackson County (Kansas City), Missouri



Center for Responsible Lending
Source: Lender storefront addresses from Missouri Division of Finance as of April 2011

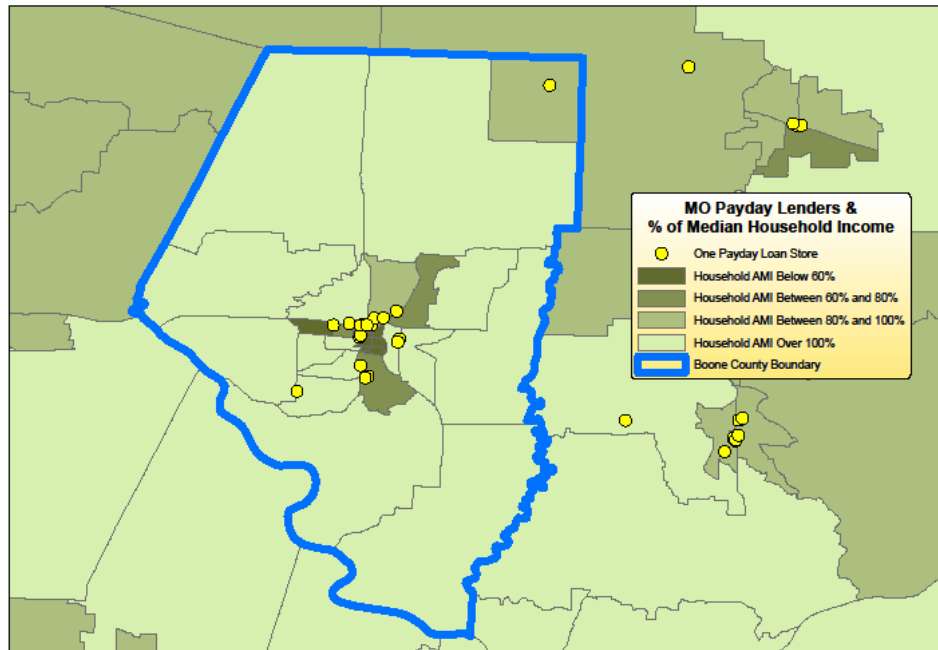
High-Cost Lender Locations in Low-Income Areas Jackson County (Kansas City), Missouri



Center for Responsible Lending
Source: Lender storefront addresses from Missouri Division of Finance as of April 2011

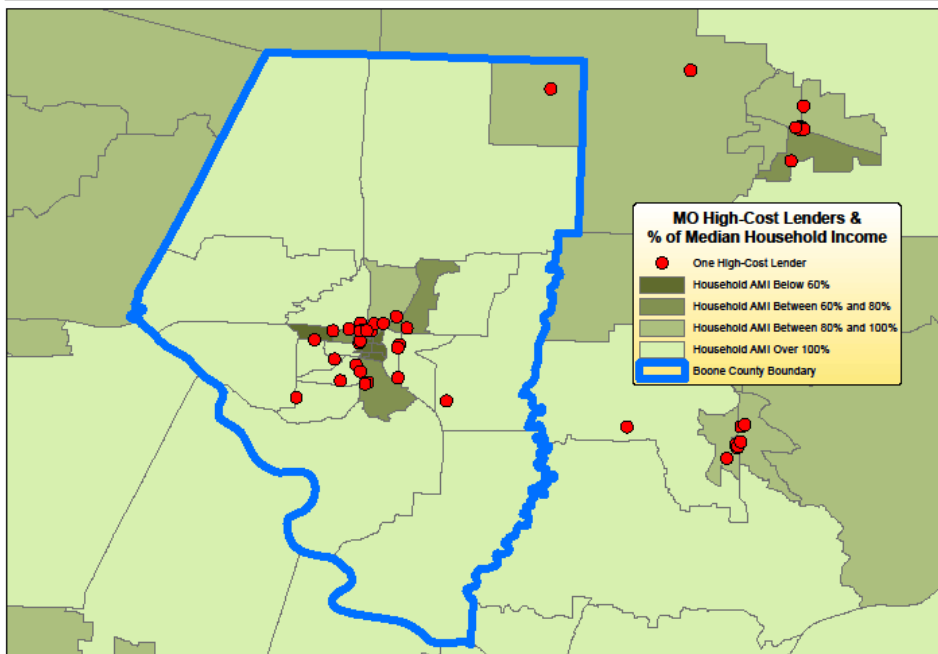
Appendix

Payday Lender Locations in Low-Income Areas Boone County (Columbia), Missouri



Center for Responsible Lending
Source: Lender storefront addresses from Missouri Division of Finance as of April 2011

High-Cost Lender Locations in Low-Income Areas Boone County (Columbia), Missouri



Center for Responsible Lending
Source: Lender storefront addresses from Missouri Division of Finance as of April 2011

-
- ¹ Procter, B., Zumwalt, A. M., Hamilton-Hill, L., McGarvey, S., Preston, M., McCaulley, G. (2011). *Payday loan fact sheet*. (Research Brief). Columbia: University of Missouri, Human Environmental Sciences Extension. Retrieved from <http://missourifamilies.org/features/financearticles/cfe42.htm>
- ² Drysdale, L., & Keest, K. E. (2000). The two-tiered consumer financial services marketplace: The fringe banking system and its challenge to current thinking about the role of usury laws in today's society. *South Carolina Law Review*, 51, 589-664.
- ³ Drysdale & Keest (2000).
- ⁴ Missouri's first laws to cap interest rates were enacted in 1929 for the purpose of curbing predatory lending abuses occurring at that time. It wasn't thought to be fully effective until it was amended in 1939 to deal with the salary lending problem. Nugent, R. (1941). The Loan Shark Problem. *Law & Contemporary Problems*, 8(1), 3-13.
- ⁵ Office of the Missouri State Auditor. (2001). Division of Finance And regulation of instant loan industry. *Report No. 2001-36*. Retrieved November 12, 2011 from <http://www.auditor.mo.gov/press/2001-36.pdf>
- ⁶ Office of the Missouri State Auditor (2001).
- ⁷ Office of the Missouri State Auditor (2001).
- ⁸ Office of the Missouri State Auditor (2001).
- ⁹ See Catholic Key, "Christ the King CCO targets payday loan industry," (Apr. 2001), http://catholickey.com/index.php3?archive=1&gif=news.gif&mode=view&issue=20010401&article_id=1306
- ¹⁰ Changes made to Missouri's payday loans in 2001 are found at 2001 Mo. Legis. Serv. H.B. 738/ SB 186. Additional changes made in are found at 2002 Mo. Legis. Serv. S.B. 884.
- ¹¹ Better Business Bureau. (2009). *The payday loan industry in Missouri: A study of the laws, the lenders, the borrowers, and the legislation*. Retrieved September 14, 2011 from <http://stlouis.bbb.org/Storage/142/Documents/PaydayLoanReport09color.pdf>
- ¹² Missouri Revised Statutes, Section 408.506, *Report to the general assembly, contents*. (L. 2002 S.B. 884).
- ¹³ Missouri Division of Finance. (2011). *Report to General Assembly pursuant to section 408.506 RSMo*. Retrieved September 10, 2011 from <http://finance.mo.gov/consumercredit/documents/2011PaydayLenderSurvey.pdf>
- ¹⁴ Hathaway, M. (2010, August 1). Missouri lenders find ways to avoid title-loan regulations. *St. Louis Dispatch*. Retrieved September 12, 2011 from http://www.stltoday.com/business/article_bb9ee593-ca73-5a62-aa1a-115824889903.html
- ¹⁵ Missouri Division of Finance. (2012). *Bank & licensee search*. Retrieved January 9, 2011 from <http://finance.mo.gov/licenseesearch/>
- ¹⁶ Office of the Missouri State Auditor (2001).
- ¹⁷ Missouri Division of Finance (2011).
- ¹⁸ McCaulley, G. (2010). *Payday Lending in Missouri* (Research Brief). Columbia: University of Missouri, Center for Family Policy & Research. <http://cfpr.missouri.edu/PaydaylendingJune2010.pdf>
- ¹⁹ Procter, B. (n.d.). *Car title loans*. Retrieved October 3, 2011 from <http://extension.missouri.edu/cfe/wcap/cartitleloansquiz/index.htm>
- ²⁰ Missouri Division of Finance. (n.d.). *Title loans*. Retrieved September 28, 2011 from http://finance.mo.gov/Contribute%20Documents/tl_quick_reference_guide_001.pdf
- ²¹ Office of the Missouri State Auditor (2001).
- ²² Missouri Division of Finance. (n.d.). *Consumer installment lenders*. Retrieved September 28, 2011 from <http://finance.mo.gov/consumercredit/installlenders.php>
- ²³ Woodstock Institute. (2009). *Beyond payday loans: Consumer installment lending in Illinois*. Retrieved November 4, 2011 from <http://www.woodstockinst.org/publications/applied-research-reports/research-reports/10/10/>
- ²⁴ As part of the 2001 legislative changes, the legislature separated the statutes for "traditional" small loan companies and the "payday" lenders, with the former designated to make loans above \$500 and the latter to make loans under \$500. However, as stated, consumer installment lenders can make loans of any size, secured or unsecured. Moreover, all of these lenders can charge rates as high as 1,920% APR.
- ²⁵ Graves, S. M., & Peterson, C. L. (2008). Usury law and the Christian right: Faith-based political power and the geography of American payday loan regulation. *Catholic University Law Review*, 57, 637-700.

-
- ²⁶ Woodstock Institute. (2000). *Unregulated payday lending pulls vulnerable consumers into spiraling debt*. Retrieved September 6, 2011 from <http://www.woodstockinst.org/document/alert.pdf>
- ²⁷ Zahn, M., Anderson, S., & Scott, G. (2006). Financial knowledge of the low-income population: Effects of a financial education program. *Journal of Sociology and Social Welfare*, 33, 53-74.
- ²⁸ King, U., Li, W., Davis, D., & Ernst, K. (2005). Race matters: The concentration of payday lenders in African-American neighborhoods in North Carolina. *Center for Responsible Lending*. Retrieved September 22, 2011 from http://www.responsiblelending.org/north-carolina/nc-payday/research-analysis/racematters/rr006-Race_Matters_Payday_in_NC-0305.pdf
- ²⁹ Woodstock Institute (2009).
- ³⁰ Federal Reserve Board. (2007). *Survey of consumer finance chartbook 2007*. Retrieved January 10, 2012 from <http://federalreserve.gov/pubs/oss/oss2/2007/2007%20SCF%20Chartbook.pdf>
- ³¹ Better Business Bureau (2009).
- ³² Hancock, J. (2011, August 10). Payday loan initiative petition moves forward. *St. Louis Post-Dispatch*. Retrieved November 8, 2011 from http://www.stltoday.com/news/local/govt-and-politics/political-fix/article_0f405bfac350-11e0-a41d-0019bb30f31a.html#ixzz1dFgO6uls
- ³³ Center for Responsible Lending. (2012). [Geographical analysis of payday lenders by area median income for three MO cities]. Unpublished research report.
- ³⁴ Better Business Bureau (2009).
- ³⁵ Linafelt, T. (2007, March 29). Open column: Payday loan companies serve customers' needs. *Columbia Daily Tribune*. Retrieved September 27, 2011 from <http://archive.columbiatribune.com/2007/mar/20070329comm012.asp>
- ³⁶ Procter et al. (2011).
- ³⁷ Missouri Division of Finance (2011).
- ³⁸ Missouri Division of Finance (2011).
- ³⁹ Feehan, D. (2007, June 20). *Remarks made at the Jeffries Financial Services Conference*. Retrieved November 9, 2011 from www.responsiblelending.org/payday-lending/research-analysis/
- ⁴⁰ Parrish, L., & King, U. (2009). Phantom demand: Short-term due date generates need for repeat payday loans, accounting for 76% of total volume. *Center for Responsible Lending*. Retrieved October 28, 2011 from <http://www.responsiblelending.org/payday-lending/research-analysis/phantom-demand-final.pdf>
- ⁴¹ Affidavit of John Robinson, President of Titlemax Holdings LLC, U.S. Bankruptcy Court for the Southern District of Georgia, Savannah Division (April 20, 2009).
- ⁴² NC Office of the Commissioner of the Banks. (2011, February). *The consumer finance act: Report and recommendations to the 2011 General Assembly*. Retrieved November 4, 2011 from http://www.nccob.gov/Public/docs/Financial%20Institutions/Consumer%20Finance/NCCOBReport_Web.pdf; See also World Acceptance, 2011 10-K SEC Filing ("For fiscal 2011, 2010 and 2009, the percentages of the Company's loan originations that were refinancings of existing loans were 75.9%, 76.4% and 75.0%, respectively.") available at <http://www.worldacceptance.com>
- ⁴³ Missouri Division of Finance (2011).
- ⁴⁴ Better Business Bureau (2009).
- ⁴⁵ Texas Catholic Conference. (2011, March 21). *Religious leaders call for reform in payday lending regulation*. Retrieved January 5, 2012 from <http://www.txcatholic.org/index.php/news/1066-religious-leaders-call-for-reform-in-payday-lending-regulation%20>
- ⁴⁶ Melzer, B. T. (2011). The real costs of credit access: Evidence from the payday lending market. *The Quarterly Journal of Economics*, 126, 517-555.
- ⁴⁷ Campbell, D. F., Jerez, A. M., & Tufano, P. Bouncing Out of the Banking System: An Empirical Analysis of Involuntary Bank Account Closing. *Working Paper*.
- ⁴⁸ Skiba, P. M., & Tobacman, J. (2009). Do payday loans cause bankruptcy? *Working paper*. Retrieved December 15, 2011 from <http://law.vanderbilt.edu/skiba>
- ⁴⁹ Missouri Division of Finance (2011).

-
- ⁵⁰ Skiba, P. M., & Tobacman, J. (2008). Payday loans, uncertainty, and discounting: Explaining patterns of borrowing, repayment, and default. *Working paper*. Retrieved December 18, 2011 from <http://law.vanderbilt.edu/skiba>
- ⁵¹ Campbell, J. (2012, January 14). Telephone interview. (note, John Campbell is a Missouri attorney practicing consumer law and has specifically worked with payday loan borrowers)
- ⁵² Parrish, L., King, U., & Tanik, O. (2006). Financial quicksand: Payday lending sinks borrowers in debt with \$4.2 billion in predatory fees every year. *Center for Responsible Lending*. Retrieved November 20, 2011 from <http://www.responsiblelending.org/payday-lending/research-analysis/financial-quicksand-payday-lending-sinks-borrowers-in-debt-with-4-2-billion-in-predatory-fees-every-year.html>
- ⁵³ *Oklahoma Trends in Deferred Deposit Lending*, October 2010 ("The average number of transactions per borrower for the trailing-twelve-month ("TTM") period between November 2009 and October 2010 was approximately 8.7 transactions.), available at http://www.ok.gov/okdocc/documents/2010_10_OK%20Trends_Final_Draft.pdf; See also, *Florida Trends in Deferred Deposit Lending*, May 2010, ("The average number of transactions per consumer between June 2009 and May 2010 was approximately 8.8 DPTs.) available at www.veritecs.com/Docs/2010_06_FL_Trends-UPDATED.pdf.
- ⁵⁴ Id.
- ⁵⁵ Parrish, L., & King, U. (2009). Phantom demand: Short-term due date generates need for repeat payday loans, accounting for 76% of total volume. *Center for Responsible Lending*. Retrieved October 28, 2011 from <http://www.responsiblelending.org/payday-lending/research-analysis/phantom-demand-final.pdf>
- ⁵⁶ See, e.g., Salmon, F. (2011, Dec. 20). Missouri, payday lending haven. *Reuters Blog*. Retrieved January 16, 2012 from <http://blogs.reuters.com/felix-salmon/2011/12/20/missouri-payday-lending-haven/> ("And if New Mexico is any indication, it's the lenders with 120-term loans which are the very worst – worse than the payday lenders whose regulations they successfully skirt.")
- ⁵⁷ Matrin, N. (2010). 1,000% interest—good while supplies last: A Study of payday loan practices and solutions. *Arizona Law Review*, 52, 563-622.
- ⁵⁸ Matrin, N. (2010). (In her study, Professor Martin interviewed 109 borrowers, and conducted 20 in-depth one-hour interviews. Despite New Mexico's reform attempts, 19 of the 20 in-depth interviews revealed that the borrower had been in continuous short-term debt for more than a year.)
- ⁵⁹ These states include: Arkansas, Arizona, Montana, Ohio, Oregon, New Hampshire, North Carolina, Connecticut, Georgia, Maine, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Vermont, and West Virginia.
- ⁶⁰ Huffman, M. (2010, Nov. 4). Montana voters cap payday loan rates. *Consumer Affairs*, Retrieved January 5, 2012 from <http://news.consumeraffairs.com/news04/2010/11/montana-voters-cap-payday-loan-rates.html>
- ⁶¹ Associated Press. (2006, Sept. 29). *Congress to limit interest rates for payday loans*. Retrieved January 11, 2012 from <http://www.msnbc.msn.com/id/15062520>
- ⁶² U.S. Department of Defense. (2006). *Report on predatory lending practices directed at members of the armed forces and their dependents*. Retrieved January 20, 2012 from http://www.defense.gov/pubs/pdfs/report_to_congress_final.pdf
- ⁶³ Payne, J. (2010). Restrictions on payday lending result in worse financial outcomes. *Show-Me Institute*. Retrieved October 28, 2011 from <http://showmeinstitute.org/publications/commentary/red-tape/73-restrictions-on-payday-lending-result-in-worse-financial-outcomes.html?qh=YToxOntpOjA7czo2OiJwYXlkYXkiO30%3D>
- ⁶⁴ North Carolina Office of the Commissioner of the Banks. (2007). *NC Consumers After Payday Lending*.
- ⁶⁵ Advance America. (2011). *Form 10-K, annual report*. Page 31. Retrieved January 12, 2012 from <http://investors.advanceamerica.net/secfiling.cfm?filingID=1047469-11-1973&CIK=1299704>; and QC Holdings. (2011). *Form 10-K annual report*. Page 27. Retrieved January 12, 2012 from <http://www.qcholdings.com/investor.aspx?id=5>
- ⁶⁶ Advance America. (2009). *Form 10-K, annual report*. Retrieved October 30, 2011 from <http://investors.advanceamerica.net/secfiling.cfm?filingID=1104659-07-15580&CIK=1299704>
- ⁶⁷ Center for Responsible Lending (2012).