Small Loans That Create BIG Problems: Payday and Auto Title Loans

Leah A. Plunkett, Esq.
Staff Attorney
National Consumer Law Center
Disaster Preparedness Exposition for Senior Citizens
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What Borrowers Have to Say

• “I felt like I was in a stranglehold each payday. After awhile, I thought, 'I'm never going to get off this merry-go-round.' I wish I’d never gotten these loans.”
  – Anita Monti, Advance America Borrower, as reported to the Center for Responsible Lending, http://www.responsiblelending.org/payday-lending/tools-resources/borrowers.html#
  • Borrowed to get money for Christmas gifts for her grandchildren.
Payday Loans—Dangerous!

- Short Term
- High Cost
- Single Lump Sum Repayment
- Secured by Post-Dated Check or Electronic Bank Account Access
- Offered by Stores or Internet Lenders
  - Advance America
Auto Title Loans—Dangerous!

- Short Term
- High Cost
- Single Lump Sum Repayment
- Secured by Title to Your Car
- Offered by Stores or Internet Lenders
  - Mississippi Title Loans
Cost of Payday & Auto Title Loans—Too High!

- Cost of a two week, $250 payday loan
  - 574% APR (Annual Percentage Rate)
    - APR measures the cost of credit on a yearly basis, including interest and most fees.
- Cost of a one month, $300 auto title loan
  - 300% APR
Risks of Payday and Auto Title Loans

- Lenders get to help themselves to your next Social Security or other pension payment before you can use it.
  - You might not be able to pay for rent, mortgage, food or medicines.
- Lenders get to take your car if you don’t re-pay the loan.
  - You lose your transportation.
- Getting stuck in a debt trap.
Better Solutions

- See if your bank or credit union offers an affordable, safe small dollar loan product.
  - Bank Plus
- Save at least $500 in a separate savings account for emergency expenses.
- Work out payment plans with your creditors.
- See if your church, synagogue, or another charitable organization can help.