

# First Possible Tech IPO of Year: Elevate Pushes Predatory Long-Term Payday Loans

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## **Consumer Advocates Question High Charge-Offs, 200% Interest Rates, and Borrowers' Ability to Pay**

**(WASHINGTON)** Consumer advocates criticized the high interest rates and high charge-offs of Elevate Credit, Inc. (Elevate), the online lender scheduled for the first tech initial public offering of 2016.

"Elevate's loans have an average APR of nearly 200%, and a huge number of its borrowers default on their loans," said National Consumer Law Center Associate Director Lauren Saunders. Elevate's net charge-offs were 51% of revenues in 2014, the last full year for which the lender reported data in its SEC Form S-1 filing. The same filing showed an average APR of 202% for 2014 and 181% for the first nine months of 2015.

Elevate's loans are much longer than typical short-term payday loans, with a repayment period that generally runs from 10 months to about two years, depending on the type of loan.

Diane Standaert, Director of State Policy at Center for Responsible Lending, noted, "Elevate's payday installment loans are as dangerous or more so than short-term payday loans, locking borrowers in high-cost debt for very long periods of time." Elevate's IPO filings disclose a number of risks to potential investors, including anticipated rules by the Consumer Financial Protection Bureau (CFPB). "Elevate seems to be counting on weak rules by the CFPB, but we would hope that high default rates like Elevate's would run afoul of ability-to-repay regulations," Saunders said.

Elevate's filing also indicates that it does not expect lower charge-off rates going forward, stating: "[W]e do not intend to drive down this [charge-off] ratio significantly below our historical ratios and would instead seek to offer our existing products to a broader new customer base to drive additional revenues."

"This appears to be a business model that aims to profit off of unsustainable loans," Standaert said.

The Department of Defense recently recognized the importance of reasonably priced installment loans, applying Congress's interest rate cap of 36%, including all fees, to longer-term loans when made to members of the military. Many states also have interest rate limits of around 36%.

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Since 1969, the nonprofit **National Consumer Law Center® (NCLC®)** has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. [www.nclc.org](http://www.nclc.org)

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