The Harms of Payday Lending in Michigan

Predatory payday loans are damaging the quality of life for Michigan families and preventing our local communities from thriving. These loans carry exorbitant interest rates that trap people in debt. This results in Michiganders being unable to fully participate in local economies and creates barriers to pursuing the American dreams of home ownership or starting their own small business.

370%

The average payday loan carries fees that are equivalent to an interest rate of 370% APR.

These extreme interest rates **drain more than $100 million from Michigan's economy each year**. By stopping this predatory lending practice, Michiganders will have more resources to provide for their families, shop at local businesses, improve their overall quality of life, and build assets for the future.

Our solution: Cap payday lending interest rates at an APR of no more than 36%.

Debt Cycle By Design

Payday loans are marketed as "short term," but the vast majority of borrowers are caught in a long-term debt cycle and are more likely to file for bankruptcy than non-borrowers with similar financial circumstances.

- **A revolving door of endless loans:** 70% of payday borrowers in Michigan reborrow the same day they pay off a previous loan
- **The debt trap is intentional:** 75% of payday lenders' revenue comes from borrowers caught in 10 loans per year
- **Payday lenders get paid first:** They have direct access to the borrower's bank account on payday, often before the borrower has their funds deposited or have had time to pay for necessities like rent and groceries.
- **An equity issue:** Michigan payday lenders disproportionately locate their stores in communities of color

The Solution: A 36% APR Cap on Payday Loans

- Active-duty military families are protected with a 36% rate cap under the federal Military Lending Act, but veterans remain unprotected and are still subject to 400% predatory lending in Michigan.
- Currently, 20 states and the District of Columbia have enacted rate caps of 36% or less on payday loans. Research shows consumers in these states have a combined savings of $2.2 billion per year.

Jessica AcMoody, Policy Director
acmoody@cedamichigan.org
(517) 485-3588
1118 S Washington, Lansing, MI 48910
cedamichigan.org