

FACT SHEET



Support: Comprehensive Predatory Lending Reform

HB 789- Delegate Bagby
SB 421- Senator Locke

Problem:

In Virginia, payday and title lenders charge Annual Percentage Rates (APRs) that can top 200 and 300 percent. Hardworking families are being gouged because Virginia has some of the weakest consumer protections in the country. Payday and title loan companies, 9 in 10 of which are based outside of the state, are taking advantage of loopholes in Virginia's laws to take an extra \$100 million/ year out of Virginian's pockets.

Policy solution:

Comprehensive reform that is proven to work in other states like Ohio and Colorado, would keep affordable credit widely available, level the playing field for responsible lenders, and put more than \$100 million back in the pockets of Virginia families every year.

Who benefits:

Working families:

Tens of thousands of working families in Virginia have been harmed by payday, title, and other predatory loans for almost two decades.

Unaffordable loans with interest rates of 200 and 300 percent are trapping people in debt, draining family budgets and holding back local economies across the Commonwealth.

Virginia has some of the weakest consumer protections in the nation

- Virginia attempted to rein in payday lending in 2008 unsuccessfully.
- Lenders can avoid consumer protections by structuring loans as a "line of credit," like a credit card with 299% interest plus other fees. One of only 6 states where payday lenders are using a line of credit statute with no interest rate limits.
- Lenders can also charge unlimited interest on loans above \$2500, a practice prohibited by 39 states.
- As a result, **lenders charge Virginia residents three times more than the same companies charge in other states.**

Virginia Vehicle Title Loans

Despite modest efforts to control vehicle title loans in 2010, storefronts have more than doubled since.

- Virginia has among the highest vehicle title loan repossession rates in the nation.
- The typical vehicle title loan borrower takes a loan of \$1,116, but has to repay more than \$2,700.

When Colorado and Ohio enacted similar reforms, some payday loan stores closed but the rest took on more customers, and loans were still widely available. People can choose to take out a loan when they want one, but they pay much less and have much stronger consumer protections. Borrowers, faith leaders, and credit counselors report the loans are far less stressful and much safer because they have affordable payments and fair terms.

Sources: Consumer Financial Protection Bureau, Pew Charitable Trusts, Virginia Poverty Law Center

Virginia residents are charged 3X more

Cost to borrow \$500 for 5 months

State	ACE Cash Express	Advance America	Speedy Cash
Maryland, District of Columbia, West Virginia, North Carolina	n/a (restricted by law)		
Colorado	\$125	\$110	\$125
Ohio	\$196	\$193	\$196
Virginia	\$600	\$600	\$670

Evidence-based approach used to ensure access to credit

	<i>Colorado (2010-18)</i>	<i>Ohio (before)</i>	<i>Ohio (after)</i>	<i>Virginia</i>
Cost to borrow \$300 for 5 months	\$172	\$680	\$171	\$370
Share of paycheck due for next loan payment	4%	34%	6%	20%
Max. cost as share of principal	71%	No limit	60%	No limit
Credit widely available	Yes	Yes	Yes	Yes