

Payday Loan “Best Practices” Don’t Work

- o A handful of states have tried to regulate payday lending through “best practices” legislation. Data from these states demonstrate that increased regulation DOES NOT protect borrowers from the payday lending debt trap.
- o The best practices for three of the most heavily-regulated states—and their results—are outlined in the table below.

	Regulations	Results
Florida ⁱ	<ul style="list-style-type: none"> • No more than one outstanding loan at a time • Cooling off period • Payment plan option • Grace period available, upon declaration of inability to repay • Rollovers prohibited • Database 	<ul style="list-style-type: none"> • 89% of loans go to borrowers with five or more transactions per year • 57% of loans go to borrowers with 12 or more transactions per year • Average of 8 loans per borrower • Less than one percent of transactions take advantage of the 60 day grace period
Oklahoma ⁱⁱ	<ul style="list-style-type: none"> • No more than two outstanding loans at a time • Cooling off period • Payment plan option • Rollovers prohibited • Database 	<ul style="list-style-type: none"> • 91% of loans go to borrowers with five or more transactions per year • 66% of loans go to borrowers with 12 or more transactions per year • Average of 9 loans per borrower • Less than 0.5% of transactions employ payment plan
Washington ⁱⁱⁱ	<ul style="list-style-type: none"> • Cannot borrow more than \$700 from a single lender at one time • Payment plan option • Rollovers prohibited 	<ul style="list-style-type: none"> • 90% of loans go to borrowers with five or more transactions per year • 58% of loans go to borrowers with 12 or more transactions per year • Average of 8 loans per borrower • Less than 0.8% of transactions employ the payment plan option

ⁱ *Florida Trends in Deferred Presentment*, September 2005-August 2006 report, available at http://www.veritecs.com/FL_trends_aug_2006.pdf.

ⁱⁱ *Oklahoma Trends in Deferred Deposit Lending*, September 2005-August 2006 report, available at http://www.veritecs.com/OK_Trends_Aug_2006.pdf.

ⁱⁱⁱ Washington Department of Financial Institutions’ *2005 Payday Lending Report*, available at http://www.dfi.wa.gov/cs/pdf/2005_payday_report.pdf.