Payday Lending Health Impact Assessment Fact Sheet

The payday lending debt trap harms the health and wellbeing of Minnesota's payday borrowers, their families, and their communities. And there is no available evidence that access to payday loans has beneficial impacts on borrower health.

Our recommendation: Eliminate the payday lending industry from the state – or implement significant reforms – to reduce the health risks to borrowers, their families, and communities.

BASIC FACTS ABOUT PAYDAY LENDING IN MINNESOTA IN 2014:

- 72 licensed storefronts & Internet lenders made more than 385,000 loans to about 50,000 borrowers.
- Totaling almost $150 million, the average loan amount was $390, with borrowers averaging 10 loan transactions a year. The average APR was 252%.

Payday loans target & drain wealth from Minnesota's most vulnerable

Payday stores are most likely to be in communities with higher shares of people of color, people with lower income and levels of education, immigrants, and renters. African-Americans are twice as likely as Minnesotans as a whole to live within 2.5 miles of a payday loan store.

Between 1999 and 2014, payday loan fees and interest drained more than $110 million from communities statewide – more than $13 million in 2012 alone.

This wealth drain increases poverty, reduces the disposable income of community members, and decreases people's ability to save.

Payday loans trap Minnesotans in a cycle of debt

Payday loans cost borrowers twice the original loan because of interest and fees. The industry is built on repeat borrowing – 90% of their revenue comes from borrowers who cannot pay off their loans when due, and only 2% of national payday loans are made to one-time borrowers. The loans are marketed as a quick, reasonably priced fix for a financial emergency, but in the end is a long-term and expensive cycle.

Payday loans increase inequities in income, wealth, and health

The majority of Minnesota counties with a payday loan store rank in the bottom half of the state for outcomes such as premature death and self-rated health.

Borrowers and their families have high stress from worrying about being in debt and repaying loans. Chronic stress, particularly financial stress, has profoundly negative effects on health, including cancer, heart disease, stroke, diabetes, hypertension, ulcers, and compromised immune function. Higher income and wealth are among the strongest predictors of good health, as people with higher incomes live longer, get more education, and live in safer neighborhoods, and enjoy other benefits that contribute to good health.

Payday loans worsen financial insecurity & negatively affect employment

Over half of payday borrowers over drafted their checking account and 27% reported that a payday lender specifically was the cause of the overdraft.

The average payday borrower earns about $30,000 and would be unable to repay a $400 payday loan on time based on the state's cost of living.

Access to payday loans leads to increased difficulty paying important bills, delays in getting needed health care, and higher rates of involuntary bank account closure. These can lead to additional high-interest-rate borrowing, which exacerbates household cash flow enough to induce bankruptcy.

Financial stress impacts workers through absenteeism, reduced productivity, and other performance indicators. Productivity loss might also lead to reduced employment or income, which could aggravate stress and poor mental health.

Payday loans contribute to creating stressful family relations

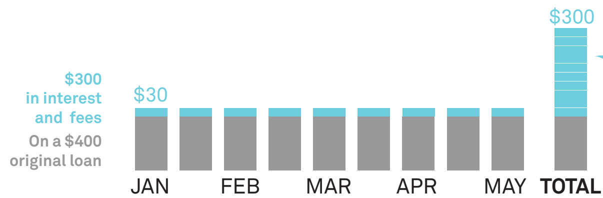
Financial strain can harm family relationships, as borrowers' experience depression, anger, withdrawal, and other poor coping behaviors. Families struggling with the stress of financial hardship question which is worse – coping by juggling increasing debt, or keeping out of debt and cutting back on essentials.

The March 2016 report, *Drowning in Debt: A Health Impact Assessment of How Payday Loan Reforms Improve the Health of Minnesota's Most Vulnerable* by Human Impact Partners and ISAIAH looks at the compelling evidence of the harm caused by payday loans to the health and mental health of Minnesotans. To access the full report and citations, visit: www.humanimpact.org. For more information, contact: Lili Farhang, Human Impact Partners, 510.452.9442, lili@humanimpact.org or Kate Hess Pace, ISAIAH, 612.655.0203, hesspace@isaiahmn.org

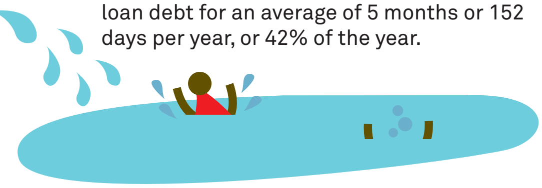
Drowning in Debt: Payday Loans Perpetuate Racial Inequities in Minnesota

Payday loans end up costing borrowers almost 2 times more than they originally borrowed because of interest and fees.

The payday loan must be paid off all at once, so if a borrower is unable to pay, they incur month after month of interest on the full loan amount.

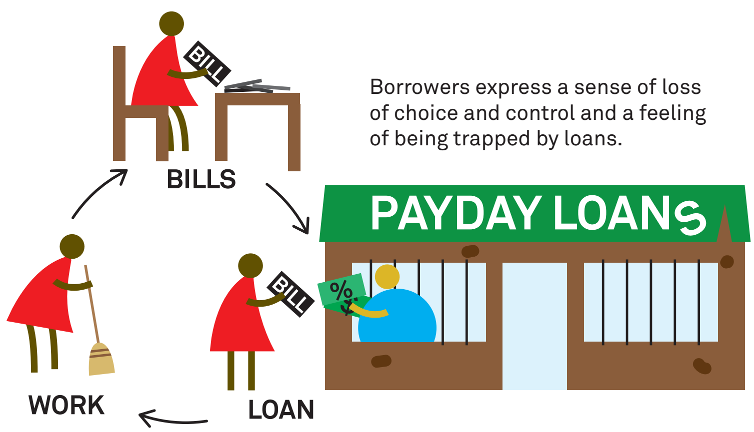


Borrowers in Minnesota are stuck in payday loan debt for an average of 5 months or 152 days per year, or 42% of the year.



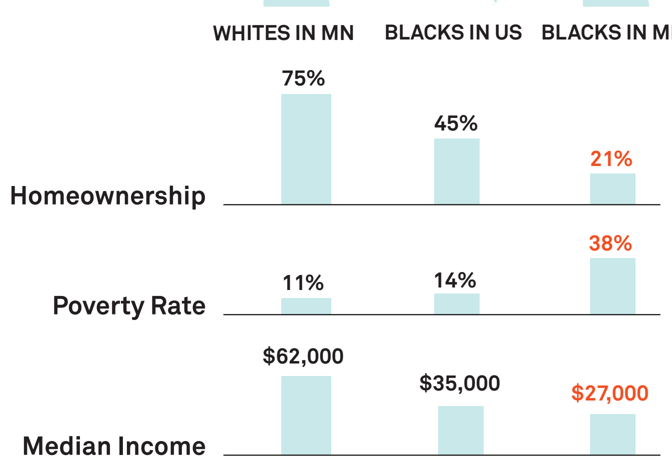
Payday loans exacerbate health vulnerabilities.

Borrowers express a sense of loss of choice and control and a feeling of being trapped by loans.

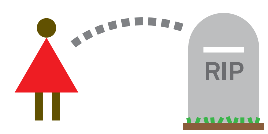


The relationship between unsecured debt—such as payday loans—and mental health is particularly strong, especially for depression, substance abuse, and suicide. **Payday loans often lead to feelings of isolation, shame, despair, depression, and suicidal ideation.**

African Americans are disadvantaged in the U.S. but particularly in Minnesota...

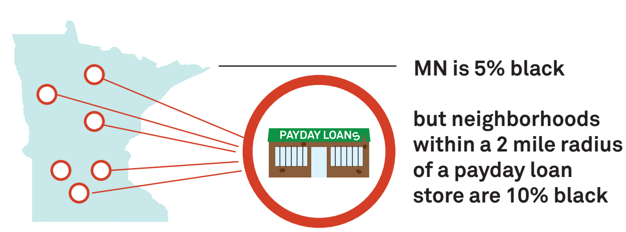


Most counties with a payday loan store rank in the bottom half of the state for health outcomes such as premature death.



Payday loans perpetuate inequity.

Payday storefronts are more likely to be located in communities with higher proportions of people of color, lower-income people, people with lower levels of education, and renters.



Between 1999 and 2014, the drain from payday loan interest and fees in Minnesota amounted to more than $110 million.

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