SKIRTING THE LAW:
FIVE TACTICS PAYDAY LENDERS USE TO EVADE STATE CONSUMER PROTECTION LAWS

DEMOCRATIC STAFF REPORT
PREPARED FOR DEMOCRATIC MEMBERS OF THE
HOUSE COMMITTEE ON FINANCIAL SERVICES
THE HONORABLE MAXINE WATERS, RANKING MEMBER

U.S. HOUSE OF REPRESENTATIVES
114TH CONGRESS
JUNE 16, 2016

Skirting the Law:

Five Tactics Payday Lenders Use To Evade State Consumer Protection Laws

Note

This report has not been officially adopted by the Committee on Financial Services and may not necessarily reflect the views of its Members. To learn more about the activities and views of Democrats on the Committee, please visit our website at:

http://democrats.financialservices.house.gov/

Skirting the Law:

Five Tactics Payday Lenders Use To Evade State Consumer Protection Laws

Table of Contents

Skirting the Law:

Five Tactics Payday Lenders Use To Evade State Consumer Protection Laws

I. Executive Summary

The Context. Over the past two decades, the landscape for the short-term, small-dollar credit market has changed dramatically. Previously rejected by a number of states under usury limits, payday lending has become one of the fastest growing segments of the consumer credit industry.[1] As a niche financial product targeting subprime borrowers, payday loans have proven costly for their users while incredibly lucrative for the purveyors of the debt. According to the Center for Financial Services Innovation, consumers of short-term, small-dollar debt spent $41.2 billion on these products in 2012 alone.[2]

For millions of cash-strapped consumers living in the United States, short-term loans can appear to be the answer to their immediate financial problems. Yet, more often than not, a payday loan solution to a short-term lack of cash ends up trapping consumers in an endless cycle of unaffordable loans. According to research conducted by the Consumer Financial Protection Bureau,[3] the average payday borrower in the United States is in debt for nearly 200 days — more than half a year. One in four of those borrowers also spends at least 83% of the year owing money to a payday lender.[4]

Payday loans, also known as “deferred presentments,” “cash advances,” or “check loans,”[5] are small-dollar, short-term loans where the agreement requires the consumer to give electronic access to their bank account or a postdated check to the lender for the amount borrowed plus a finance charge. The lender holds the authorization or check as collateral for the loan until the borrower’s next payday, [6] a period that can range from one to four weeks. At the end of that timeframe, the borrower can pay off the loan by paying in cash, allowing the lender to deposit the check, or letting the lender utilize the electronic authorization. If the borrower cannot repay the loan or does not have enough money in the bank account to cover the check at the agreed upon date, they may then pay another fee to extend or “rollover” the loan for an additional period. [7]

To regulate payday lending, states have usually adopted one of three approaches. Legislatures enact a statutory regime that either: (1) enables payday lending without restriction, (2) controls payday lending through some set of product or servicing limitations, or (3) prohibits the practice of payday lending entirely. Typical state legislative efforts include mandating interest-rate caps, limiting the amount of loans that a borrower can take out on an annual basis, and requiring more consumer friendly repayment terms—such as an expanded repayment period.[8] A breakdown of each state's payday lending requirements is included as an appendix to this report.

The Challenge. Despite legislative efforts to govern short-term, small-dollar lending by states, some payday lenders have proven to be adept at avoiding state regulations. In states that have been able to mandate meaningful consumer protections for payday-loan consumers, lenders have quickly found new ways to avoid compliance. For example:

- Texas payday lenders circumvent state law by having their affiliated storefronts pose as separate Credit Access Businesses. By disguising themselves as a completely different kind of financial service provider—one that isn't subject to the limits imposed on payday lenders—Texas payday lenders are able to collect additional fees and interest for the act of directing consumers to them through the affiliated credit access business.

- Similar to the rent-a-bank model that, before being shut-down by federal banking regulators, was previously embraced by lenders to avoid complying with state-enacted payday bans, some lenders have established partnerships with Native American Tribes to claim tribal sovereign immunity and circumvent the laws barring payday lending in states like Arizona, Georgia, and Maryland.

- When Ohio capped interest rates on short-term, small-dollar loans, unfazed payday lenders operating in the state started offering cash advances under the mortgage lending statute.

- In many other states with payday-loan restrictions, like California, lenders use online lending to broker payday loans to consumers without first obtaining a state business license or complying with state regulations on the loan's terms.

- In Florida, lenders allow consumers to take out multiple payday loans during the same pay period by taking advantage of the state's 24-hour, cooling-off period.

This report illustrates these five tactics by looking at events unfolding in the states of Ohio, California, Florida, Texas, and Colorado as case studies.

The Dodd-Frank Wall Street Reform and Consumer Protection Act and the Consumer Financial Protection Bureau's Power to Regulate Payday Lending.
In order to protect consumers from the predatory practices of payday lenders, it is clear that we need to develop a federal regulatory framework that uniformly applies to all payday lenders operating in the United States. That framework must establish a minimum set of consumer protections to ensure that short-term, small-dollar products are not predatory. On June 2, 2016, the Consumer Financial Protection Bureau ("CFPB") released a proposed rule for payday lending that would create that federal regulatory framework.

Under Dodd-Frank, Congress granted the CFPB oversight of previously unregulated nonbank lenders, including payday lenders.[9] Relying upon that authority, the Bureau has devoted extensive attention to payday lending and the effectiveness of existing regulations, starting with the CFPB's release of its White Paper of Initial Data Findings on Payday Loans and Deposit Advance Products in April 2013.[10] The following year, 2014, the Bureau's full report was released and contained findings identifying the harms associated with some product features frequently found in payday loans.[11] Further, on March 26, 2015, the CFPB published an outline of a proposed rule on short-term, small-dollar lending in preparation for the required Small Business Review Panel (SBRP) that must be held as a preliminary step of the Bureau's rule-making process.[12] These actions, combined with a series of public field hearings and ongoing conversations with consumer and industry stakeholders, helped the agency propose a framework designed to eliminate the worst predatory practices in the payday lending industry, while preserving consumer access to small-dollar credit.

Metrics for Evaluating the Proposed Rule. The CFPB's proposed rule is a step in the right direction. In its current state, the rulemaking would better protect borrowers from unaffordable loans, cycles of re-borrowing, exorbitant fees, and unfair transaction practices through checks, automated clearinghouse transactions and other payment devices. However, to ensure that the rule is as strong as possible, it is also imperative that the evasive tactics that some payday lenders have employed to circumvent state laws are adequately prohibited by the CFPB's regulation. Accordingly, the following metrics can serve as useful tools when evaluating the effectiveness of both the Bureau's proposed rule and the resources that have been allocated to the agency to properly enforce consumer protections for borrowers of payday loans:

> **Metric 1:** When evaluating the CFPB's rule, stakeholders should consider whether or not the definition of covered persons and covered products is broad enough to capture the various business designations or modified product features that lenders have previously used to skirt compliance with consumer protections.

> **Metric 2:** When evaluating the CFPB's rule, stakeholders should consider whether the Bureau's prohibitions are broad enough to cover both lenders and affiliated credit service organizations or credit access businesses.

> **Metric 3:** When evaluating the CFPB's rule, stakeholders should consider whether the rule requires a meaningful cooling-off time between a consumer's loans in order to ensure that the debt concern raised by frequent rollovers is adequately addressed.

> **Metric 4:** When evaluating the CFPB's rule, stakeholders should consider whether the rule provides a definition for covered entities that explicitly includes tribal-owned operators. Unlike states, which generally lack the authority to regulate Native American tribes due to sovereign immunity, Congress had direct authority to regulate commerce with Tribes when granting the CFPB rulemaking authority over payday lending.

> **Metric 5:** When evaluating the CFPB's rule, stakeholders should consider whether funding for the CFPB's enforcement efforts should be increased in order to allow the agency to effectively monitor the activities of online lenders and adequately enforce consumer protection laws.

II. Payday Lender Tactics

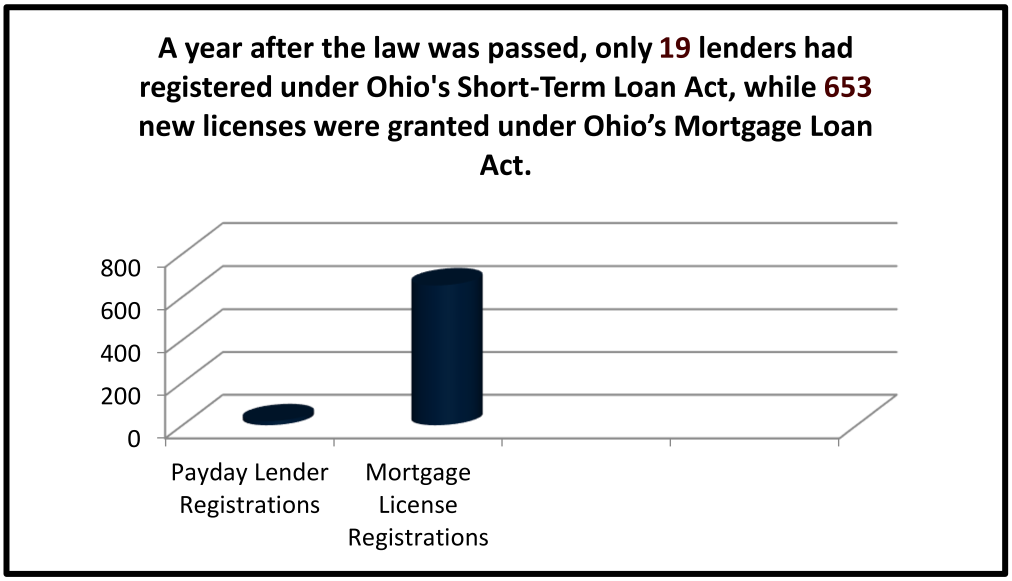
Recognizing the potential for financial harm, many states across the nation have adopted laws and regulations designed to ensure the fairness of small-dollar, short-term lending products for consumers.[13] But, rather than honoring those requirements, some payday lenders have instead chosen to devote considerable effort to devising ways to circumvent both the letter and spirit of those protections. Section Two of the Democratic Committee Staff's report highlights five evasive tactics currently utilized by payday lenders in the states of Ohio, Texas, California, Florida, and Colorado.

Tactic 1: Changing the Business's Registration
Why Mortgage Lenders Now Make Payday Loans in Ohio

> "Even though the legislature's actions were upheld by the voters of Ohio through the passage of Issue 5 in November 2008, payday lenders are continuing to operate throughout the State of Ohio, charging rates as high as 680% – 24 times more than the rate that was approved by the legislature for such lending and one and three-quarters times the rate under the prior law."[14]
>
> – Housing Research and Advocacy Center

In 2008, the state of Ohio passed one of the strongest laws in the nation governing payday lending. The law has a strict annual percentage rate cap of 28%, sets a minimum loan term of 30 days, allows only 4 loans a year, caps origination fees at around $2, and was heralded as an enormous victory for consumers. Even after payday lenders waged an expensive campaign to repeal the proposal by ballot initiative, 64% of Ohio voters decided to keep the state's payday lending protections in place.[15] So, what does payday lending look like in a state that has passed landmark consumer protections? Unfortunately, the answer is no better than anywhere else.

Rather than directly defining and banning abusive products, the Ohio Short-Term Loan Act attempted to force lenders to register as short-term loan providers.[16] But the law created a number of broadly worded exemptions in order to ensure that other lenders, such as mortgage companies, would not be subject to payday restrictions. Taking advantage of the broadly worded exemptions in order to get around the new payday lending laws, payday companies simply registered themselves as mortgage loan businesses and then continued peddling the same abusive products. According to the Housing Research and Advocacy Center, a year after the law was passed, only 19 lenders had registered under the Short-Term Loan Act, while 653 new licenses were granted under Ohio's Mortgage Loan Act.[17] In that time, none of Ohio's largest storefront payday lenders had registered under the Short-Term Loan Act.[18] By structuring their businesses under other unsecured lending laws, and by shifting to products like title loans, payday lenders have managed to evade Ohio's consumer protections for short-term, small-dollar loans.



Source: Housing Research and Advocacy Center

According to research by the Center for Responsible Lending, storefronts in Ohio charge as much as 718%, despite the state's statutory 28% APR restriction for payday loans.[19] While Ohio does not collect its own statistics on payday lending, the CFPB estimates that in states with no effective rollover restrictions like Ohio, 84% of loans are rolled over within a 14-day period.[20] Car title loans, which operate similarly, must be paid back in a lump sum in Ohio.[21] The Pew Research Center found that the average lump-sum, car-title payment took up 50% of a borrower's monthly income, while payday loans comprised 36% of borrowers' biweekly income.[22] Furthermore, in Ohio, a lender can issue a loan in the form of a check, and charge the borrower to cash that check. This combination of rollovers and fees continues to trap Ohio consumers in an expensive cycle of debt.

Metric: To prevent entities from evading the CFPB's payday regulations, the Bureau should include a definition of covered persons and covered products that is broad enough to capture the various business designations and modified product descriptions or features that lenders have used to previously avoid consumer protection regulations.

Tactic 2: Family Ties

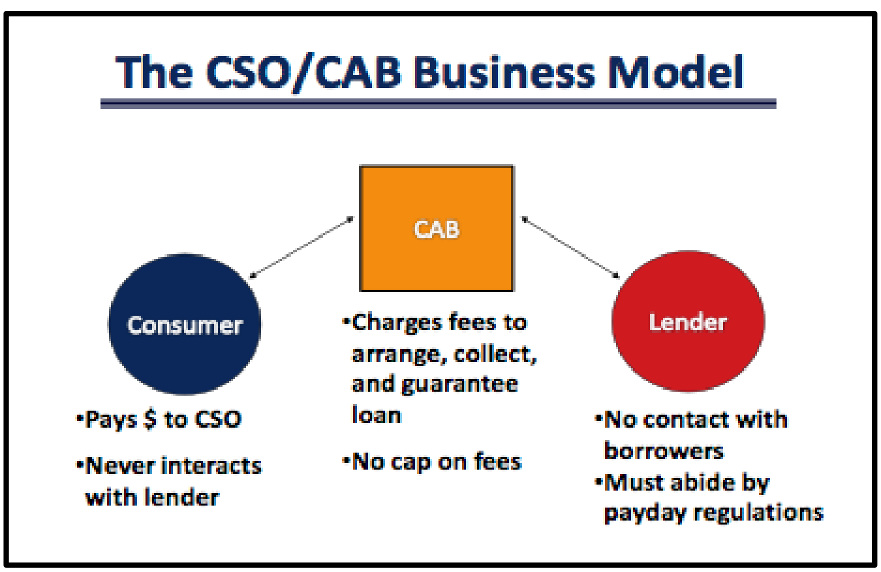
How Payday Lenders Use Affiliated Credit Access Businesses to Avoid Texas's 10% Interest Cap

Credit Access Businesses are "a very clever and devious way around the state Constitution and consumer protection statutes."[23]

- Don Baylor, Center for Public Policy Priorities

Article 16, Section 11 of the Texas Constitution imposes a 10 % cap on the amount of interest that can be charged on personal loans. Yet, despite that fact, the state of Texas is responsible for more than 60% of the nationwide annual profits flowing to the payday and auto title industries.[24] Why is that? The answer lies in a loophole that allows lenders to incorporate their storefronts as separate, but affiliated, entities that—on top of the 10 % interest they collect on behalf of the lender—then charge more fees and interest for the services that they provide by referring consumers to the lender and servicing the loan.

In Texas, payday and auto title storefronts are allowed to register as Credit Access Businesses (CAB) under the state's Credit Services Organizations Act.[25] That act imposes no limits on



Source: Texas Fair Lending Alliance[26]

fees, interest rates, loan amount size, or refinances, and it does not require the CAB to assess ability to repay based upon the consumer's income.[27] Accordingly, for single payment products, CABs often charge an "origination fee," typically ranging from $22 to $25 per $100 borrowed and, when the consumer is unable to repay the loan by the due date, a "refinance fee" that is usually identical to the amount charged as an origination fee.[28] Because of the third-party lending structure, CABs also charge consumers up to an additional 10 % annual interest rate while the loan is in repayment on the lender's behalf.[29] As a result, Texas consumers end up paying a far higher price for short-term, small-dollar lending than the amount envisioned by either the Texas Constitution or the state's Deferred Presentment statute.[30] The state's "estimated average payday loan borrower can pay up to $840 for a $300 loan [and] monthly fees for a $4,000 auto title loan often exceed $1,000."[31]

In Texas, the legal rationale that justifies excluding credit access business fees and costs from being included in calculating a lender's interest rate under the state's usury laws and deferred presentment statutes rests on the expectation that each business is completely independent.[32] Yet, the reality is that Texas payday lenders make little attempt to hide their financial interests in credit access businesses. A 2015 report by the Texas Appleseed advocacy organization found that 86 % of the CABs in Texas work with only one third-party lender.[33] That same report found that 1 out of 5 "third-party" lenders actually "have some form of overlapping ownership with a CAB."[34]

Metric: The CFPB's rule should be broad enough to cover both lenders and affiliated credit service organizations/credit access businesses. Of the thirty-seven states that have adopted a Credit Service Organization Act, twenty-six allow businesses licensed under these statutes to offer the service of obtaining credit from a third-party lender in exchange for a fee paid by the borrower.[35] This loophole is often a prime vehicle for payday lenders seeking to charge fees in excess of those permitted by statute or engage in prohibited rollover activities.

Though the Dodd-Frank Wall Street Reform and Consumer Protection Act generally limits the CFPB's jurisdiction to a "covered person," the statute makes it clear that any affiliate that acts as a service provider to an entity engaged "in offering or providing a consumer financial product or service" also fits within the Bureau's jurisdiction. Accordingly, affiliated credit access businesses and credit service organizations should be subject to the CFPB's payday lending consumer protections as a means for preventing lender efforts to circumvent the law.

Tactic 3: The "Non-Rollover" Rollover
How Payday Lenders Exploit a Loophole in Florida's Law to Trap Consumers in an Expensive Cycle of Debt

"Since a payday advance is a short-term solution to an immediate need, it is not intended for repeated use in carrying an individual from payday to payday…. [A] payday loan is not a solution for ongoing budget management. Repeated or frequent use can create serious financial hardships."[36]

- Community Financial Services Association

The state of Florida has a "deferred presentment law" that provides an exception to their usury cap.[37] The Act is designed to allow payday lenders to operate in the state, while also protecting consumers from landing in a cycle of debt. Unfortunately, the law has proven to be ineffective at both making rates affordable and limiting rollovers.

Florida law requires a 24-hour, cooling-off period between payday loans, caps loan amounts at $500, includes a 60-day grace period without additional charges, and provides for a borrower database to track transactions.[38] The law also requires that providers be licensed in the state to operate. Despite these safeguards, Florida's consumers still find themselves subject to rates over 300% and, in 2015, the vast majority of Florida payday loan transactions still involved borrowers that were trapped in a cycle of 7 or more loans.[39] Thus, by all accounts, payday lending in Florida is a booming business that lacks the safeguards that Florida's payday statute intended to provide.

While Florida's law does technically prevent a borrower from taking out a new payday loan to pay an old one, the 24-hour, cooling-off period fails to meaningfully prevent that outcome. Instead, cash-strapped borrowers are often encouraged to use their food and rent money to pay off outstanding loans and then wait one day to take out a new loan in order to cover the expenses they've put off. Taking out multiple loans in this manner is punishingly expensive for borrowers and, often, costs just as much as "rolling over" an old payday loan.

A 2016 Center for Responsible Lending study, "Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law," [40] found that 57% of Florida payday loans go to borrowers with 12 or more loans per year, and 83% go to borrowers with seven or more loans per year.[41] Additionally, 88% of new loans were taken out in the same two-week pay period that a previous loan was paid off.[42]

By the Numbers: Payday Lending in Florida in 2015

57%	% of Payday loans made in Florida in 2015 originated in a cycle of 12 or more loans to same borrower
83%	% of Payday loans made in Florida in 2015 originated in a cycle of 7 or more loans to same borrower
88%	% of Payday loans made in Florida in 2015 taken out in same 2-week period that a previous loan was paid

Source: Center for Responsible Lending

As reported by Florida's own lending database,[43] less than 1% of the loan volume for the state's payday consumers actually benefited from the grace period in 2015—even though more than half of borrowers were in a loan cycle of 12 months or greater. This figure represents a family who has to take out a payday loan every month in order to keep up with their debts. Ineffective regulation perpetuates the cycle of debt, which cost Floridians more than $311 million in fees in 2015 alone.[44]

Metric: The CFPB's rule should include a meaningful cooling-off period in order to ensure that the concerns raised by loan rollovers are adequately addressed.

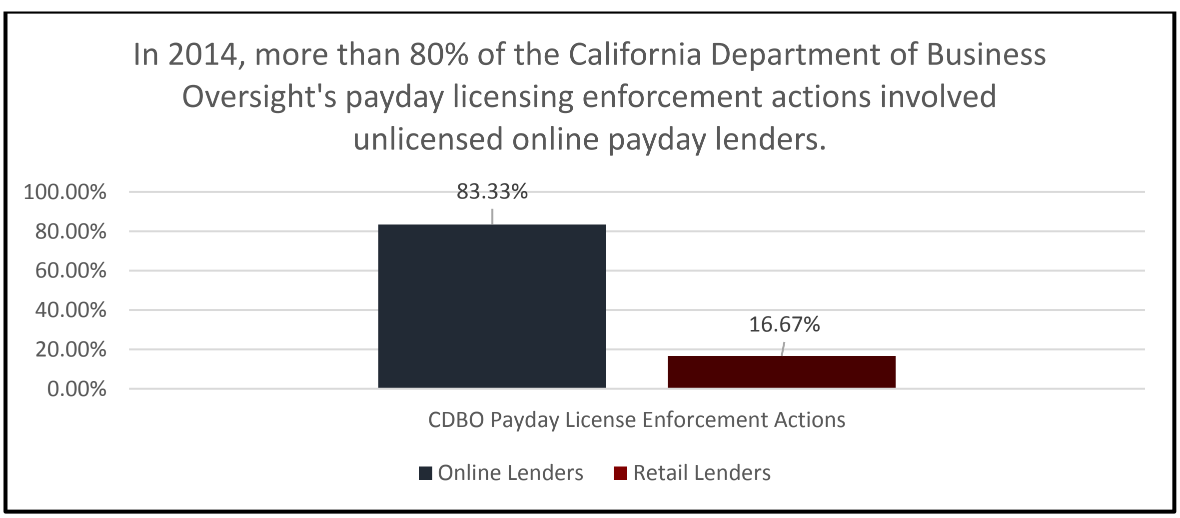
Tactic 4: Cyber Evasion
How Online Payday Lenders Ignore California's Registration Requirements and Consumer Protections

"This is a serious problem in California with online payday lenders. They're not licensed. They're not in compliance. They're basically rogue operations."[45]

- Jeffrey Wilens, Attorney

The early 21st century has witnessed a migration of payday loan providers to the internet. This increase in online payday lending activity has greater potential to exploit borrowers because these loans often occur outside of the reach of state regulators. Many online lenders ignore the obligation to comply with the laws in a consumer's state by simply claiming that they have the right to exercise choice of law provisions that instead substitute the rules of states or foreign countries with no rate caps or consumer protections.[46]

In California, all payday lenders—whether they operate through retail storefronts or online operations—must be licensed by the state's Department of Business Oversight in order to legally transact business in the state.[47] Despite that requirement, unlicensed online payday lenders have continued to do business in California. According to a spokesperson for the California Department of Business Oversight, in 2014, the agency "took 18 enforcement actions against unlicensed payday lenders and 15 of those were against unlicensed online vendors."[48]



Source: California Department of Business Oversight

Unlicensed lenders' products are often predatory and rarely comply with any state's product requirements for short-term, small-dollar loans. As a result, online payday loans are typically more expensive than brick-and-mortar payday loans, with annual percentage rates of 650%.[49] A 2014 report by Pew Charitable Trusts also found that online borrowers default on their loans more often than storefront borrowers and are twice as likely to have overdrafts on their bank accounts.[50] Thus, the potential harm to consumers stemming from unlicensed online payday lending justifies centralized and increased enforcement efforts.

Metric: Funding for the CFPB's enforcement efforts should be increased in order to allow the agency to effectively monitor the activities of online lenders and enforce consumer protection laws. States have found it especially difficult to go after online payday lenders operating in violation of a state's consumer protection laws when the lender is based in a different state or country.

Tactic 5: Renting Sovereign Immunity

Payday Lenders Claim Tribal Ownership to Avoid Compliance with Colorado Law

"Affiliating with tribes is just one method some payday lenders have used to skirt existing laws and oversight." [51]

-David Heath & Michael Hudson, The Center for Public Integrity

Another tactic employed by payday lenders to avoid compliance with state laws is referred to as the "tribal sovereignty model."[52] Under this approach, existing payday lenders partner with Native American tribes in order to claim tribal sovereign immunity and avoid state usury, small-loan, and payday laws.

In the United States, Native American tribes are domestic dependent nations entitled to all powers except for those belonging to the federal government.[53] This doctrine of tribal sovereign immunity generally makes tribes immune from suits in state or federal court by state residents or state government agencies, unless the tribe either waives its immunity or the lawsuit is authorized by Congress.[54] Tribal businesses may also enjoy the protections of sovereign immunity if they function as an "arm of the tribe." When applicable, this sovereign immunity generally precludes tribally run businesses from the obligation to comply with state regulations.[55]

Colorado's payday loan law enables borrowers to repay loans in installments, rather than making a balloon payment. The law also requires all payments to reduce principal, so that no debt remains by the loan's end date. Borrowers are permitted to prepay loans without penalty at any time with the average annualized interest rate set at 115 %—the lowest rate of any state where payday loan stores legally operate. However, payday lenders unhappy with those terms often choose to ignore the law and continue to offer loans to Colorado consumers based on their own criteria.

When the Colorado Attorney General began investigating these lenders, the court foreclosed the possibility of enforcement activity based on tribal immunity. In State of Colorado v. Cash Advance, a state trial court held that two tribal-owned consumer lending businesses being investigated by the state of Colorado were entitled to tribal sovereign immunity.[56] The court affirmed its ruling despite evidence that a third-party entity was entitled to 99% of the operational revenues, while the tribal businesses only received the remaining 1%.[57] Thus, Colorado had no ability to protect consumers from the predatory lending practices of the payday lenders based on their faint affiliation with a tribe.

Metric: The CFPB's rule should include a definition for covered entities that explicitly includes tribal-owned operators. Unlike states, which generally lack the authority to regulate Native American tribes due to sovereign immunity, Congress had direct authority to regulate commerce with Tribes when granting the CFPB rulemaking authority over payday lending.

III. Conclusion

Unethical actors in the payday lending industry have a history of employing tactics designed to ignore, evade, and stonewall state laws, regulations, and regulators seeking to impose consumer protections. As a result, far too many consumers find themselves trapped by predatory short-term, small-dollar products with toxic features even though the laws in their state prohibit lenders from offering those types of products.

Using unfair, deceptive, and abusive practices to sell overpriced financial products to the people who can least afford them is illegal in the United States. It is our belief that federal regulations are necessary to ensure that basic protections are provided to American consumers of payday loans. We support the Consumer Financial Protection Bureau's efforts to rein in abusive payday lending practices and urge the Bureau to adopt a final rulemaking that effectively addresses the concerns raised by this report. Only a comprehensive federal framework can better protect consumers from the harms created by payday lenders avoiding compliance with state consumer protection laws.

IV. Appendix of Existing State Laws Governing Payday Lending

Source: National Council of State Legislatures, Committee staff analysis of state statutes

State	Maximum/Minimum Loan Term	Maximum Loan Amount	Maximum Finance Charges	Statutory Citation
Alabama	Between 10 - 31 days	$500	17.5 % of the amount advanced	5-18A-1 *et seq.*
Alaska	14 days	$500	a nonrefundable origination fee in an amount not to exceed $5; and a fee that does not exceed $15 for each $100 of an advance, or 15 percent of the total amount of the advance, whichever is less.	06.50.010 *et seq.*
Arizona	*Not allowed*			
Arkansas	*Not allowed*			
California	Up to 31 days	$300	15 % of the face amount of the check.	Civil Code 1789.30 *et seq.* Financial Code 23000 *et seq.*
Colorado	6 month minimum	$500	20 % of the first $300 loaned plus 7.5% of any amount loaned in excess of $300. In addition, the lender may charge a monthly maintenance fee for each outstanding deferred deposit loan, not to exceed $7.50 per $100 loaned, up to $30 for each month the loan is outstanding 30 days after the date of the original loan transaction.	5-3.1-101*et seq.*
Delaware	Less than 60 days	$1,000	Whatever the contract requires	5 Del. C. §978 5 Del. C. §2227 *et seq.* 5 Del. C. §2744
District of Columbia	*Not allowed*			
Florida	Between 7- 31 days	$500 + fees	10% of the currency or payment instrument provided. However, a verification fee may be charged as provided in §560.309(7).	560.402 *et seq.*
Georgia	*Not allowed*			
Hawaii	Up to 32 days	$600	15% of the check amount	480F-1 et seq.
Idaho	None	$1000	None	28-46-401*et seq*
Illinois	Between 13 -180 days	The lesser of $1,000 or 25 % of the consumer's gross monthly income	$15.50 per $100 loaned	815 ILCS 122/1-1 *et seq.*

State	Maximum/Minimum Loan Term	Maximum Loan Amount	Maximum Finance Charges	Statutory Citation
Indiana	At least 14 days	$50 - $550	15% for the first $250; 13% for loans greater than $250, but less than $400, and 10% for amount greater than $400	24-4.5-7-101 *et seq.*
Iowa	Up to 31 days	$500 per payday lender	$15 on the first $100 on the face amount of a check or more than $10 on subsequent $100 increments	533D.1 *et seq.*
Kansas	Between 7- 30 days	$500	15% of the cash advance amount and 3% per month after the loan matures	16a-2-404 16a-2-405
Kentucky	Up to 60 days	$500 with 2 outstanding loan maximum per lender	$15.00 per $100 loaned	286.9-010*et seq.*
Louisiana	Up to 30 days	$350	16.75% of the check amount	RS 9:3578:1*et seq.*
Maine	None	None	None	Me. Rev. Stat. Ann. tit 9-A §1-201 and Me. Rev. Stat. Ann. tit. 9-A §1-301
Michigan	Up to 31 days	$600	15% of the first $100; 14% percent of the second $100, 13% of the third $100; 12% of the fourth $100, 11% of the fifth and sixth $100 of the deferred presentment service transaction.	487.2121*et seq*
Minnesota	Up to 30 days	$350	$5.50 on amount up to $50, a charge of may be added; 10% + $5 on amounts loaned between $51-$100; 7% + $5 on amounts loaned between $101 - $250 and 6% + $5 on amounts loaned between $251 and $350. After maturity, the contract rate must not exceed 2.75 percent per month of the remaining loan proceeds after the maturity date calculated at a rate of 1/30 of the monthly rate in the contract for each calendar day the balance is outstanding.	
Mississippi	Up to 30 days	$500 including fees	$20 per $100 loaned up to $250; $21.95 per $100 loaned above $250	75-67-501*et seq.*
Missouri	14 day minimum	$500	No more than 75 percent of the initial loan amount	408.500 to 408.506
Montana		$50 - $300 excluding fees	36% per annum	31-1-701*et seq.*
Nebraska	Up to 34 days	$500 per licensed lender	$15 per $100	45-901 *et seq.*
Nevada		25 percent of the customer's expected gross monthly income	36%	604A.010*et seq.*

State	Maximum/Minimum Loan Term	Maximum Loan Amount	Maximum Finance Charges	Statutory Citation
New Hampshire	Between 7 – 30 days	$500	36% per year with all other fees prohibited	399A:1 *et seq*.
New Mexico	Between 14 – 35 days	25 percent of the customer's expected gross monthly income	$15.50 per $100 of principal	58-15-1 *et seq*.
North Carolina	*Not allowed*			
North Dakota	Up to 60 days including 1 renewal period	$500 per transaction and no more than $600 per lender	20 percent of the amount	13-08-01*et seq*.
Ohio	At least 31 days	$500	28% annually	1321.35 *et seq*.
Oklahoma	Between 12 -45 days	$500 excluding charges	$15 for every $100 of the first $300 loaned; $10 for every $100 on amounts in excess of $300	59-3101 *et seq*.
Oregon	Between 31 -60 days	Up to $50,000	36 percent per annum + origination fee	725.600 *et seq*. 725A.101*et seq*.
Rhode Island	At least 13 days	$500	10 percent of the amount advanced	19-14.1-1*et seq*. 19-14.4-1*et seq*.
South Carolina	Up to 31 days	$550 exclusive of fees	15 percent of the face amount of the check.	34-39-110*et seq*.
South Dakota		$500	None	54-4-36 *et seq*.
Tennessee	Up to 31 days	$500	15 percent of the face amount of the check	45-17-101*et seq*.
Texas	At least 7 days	See Tex. Fin. Code Ann. Sec 342.301 *et seq*. and Chapter 341, subchapter C	See Tex. Fin. Code Ann. Sec 342.251 *et seq*. for calculation methodology	7 Tex. Admin Code Sec. 83.604; Tex. Fin. Code Ann. Sec 342.251 *et seq*. and Sec. 342.601 *et seq*.
Utah	Cannot be rolled over beyond 12 weeks	None	None, but interest cannot be charged on outstanding balances 10 after loan executed	7-23-101 *et seq*.
Virginia		$500	36% annual interest rate + loan fee that cannot exceed 20% of the loan amount + $5 verification fee	6.2-1800 *et seq*.
Washington	Up to 45 days unless extension beyond results in no additional interest and fees charged	$700 or 30 percent of the customer's gross income	15% on the first $500; 10% on loan amounts above $500	31.45.010 *et seq*.
Wisconsin	None	Lesser of $1,500 or 35 percent of gross monthly income.	No limit on interest rate of original payday loan; 2.75% per month interest rate limit on rollover loans	138.14
Wyoming	One calendar month	None	the greater of $30 or 20 percent per month on the principal balance	40-14-362 *et seq*.

V. Endnotes

[1] Tom Lehman, "Payday Lending and Public Policy: What Elected Officials Should Know," (August 2006), available at http://www.fisca.org/Content/NavigationMenu/Resources/ForTheIndustry/IndustryResearch/WhatElectedOfficialsShouldKnow.pdf .

[2] Beth Brockland, "The Compass Guide to Small-Dollar Credit," Center for Financial Services Innovation 4, (November 2014), available at http://www.cfsinnovation.com/Document-Library/The-Compass-Guide-to-Small-Dollar-Credit.

[3] Consumer Financial Protection Bureau, "Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings," (April 2013), available at http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf .

[4] *Id*.

[5] Jean Ann Fox, "Safe Harbor for Usury: Recent Developments in Payday Lending," Consumer Federation of America 1 (September 1999), available at http://www.consumerfed.org/pdfs/safeharbor.pdf .

[6] *Id*.

[7] *Id*. at 2.

[8] Bree R. Black Horse, "The Risks and Benefits of Tribal Payday Lending to Tribal Sovereign Immunity," American Indian Law Journal 388, 392 (2013).

[9] *See* Dodd-Frank Act, Title X, Section 1024(a)(1)(C) (codified at 12 U.S.C. § 5514(b)(1)).

[10] Consumer Financial Protection Bureau, "Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings," (April 2013), available at http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf .

[11]Consumer Financial Protection Bureau. (2014). "CFPB Finds Four Out Of Five Payday Loans Are Rolled Over Or Renewed" [press release] Retrieved from http://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-four-out-of-five-payday-loans-are-rolled-over-or-renewed/.

[12] Consumer Financial Protection Bureau. (2015). "CFPB Considers Proposal to End Payday Debt Traps" [Press release]. Retrieved from http://www.consumerfinance.gov/about-us/newsroom/cfpb-considers-proposal-to-end-payday-debt-traps/.

[13] Marieka Klawitter and Colin Morgan-Cross, "Effects of State Payday Loan Price Caps & Regulation," UNIVERSITY OF WASHINGTON 4 (Dec. 2, 2011), available at http://depts.washington.edu/wcpc/sites/default/files/papers/Payday%20Lending

%20Brief.pdf.

[14] Jeffrey D. Dillman, Samantha Hoover, Carrie Pleasants, "The New Face of Payday Lending in Ohio," Housing Research & Advocacy Center 1 (2009), available at http://www.thehousingcenter.org/wp-content/uploads/2013/02/New-Face-of-Payday-Lending-March-9-2009-Revised-4-16-091.pdf .

[15] Tyler Evilsizer, National Institute on Money in State Politics, "Lenders Couldn't By Laws," (2009), available at http://classic.followthemoney.org/press/Reports/Payday.pdf .

[16] Diane Standaert & Delvin Davis, "The Buckeye Burden: An Analysis of Payday and Car Title Lending in Ohio," Center for Responsible Lending 2 (2015), available at http://www.responsiblelending.org/payday-lending/research-analysis/crl_ohio_analysis_nov2015.pdf .

[17] Jeffrey D. Dillman, Samantha Hoover, Carrie Pleasants, "The New Face of Payday Lending in Ohio," Housing Research & Advocacy Center 8 (2009), available at http://www.thehousingcenter.org/wp-content/uploads/2013/02/New-Face-of-Payday-Lending-March-9-2009-Revised-4-16-091.pdf .

[18] *Id*.

[19] Diane Standaert & Delvin Davis, "The Buckeye Burden: An Analysis of Payday and Car Title Lending in Ohio," Center for Responsible Lending 5 (2015), available at http://www.responsiblelending.org/payday-lending/research-analysis/crl_ohio_analysis_nov2015.pdf .

[20] "Data Points: Payday Lending," (2014), Consumer Financial Protection bureau 4 (2014), available at http://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf .

[21] "Auto Title Loans: Market Practices and Borrowers' Experiences," Pew Charitable Trusts 1 (2015), available at http://www.pewtrusts.org/~/media/assets/2015/03/autotitleloansreport.pdf .

[22] *Id*.

[23] Jonathan Tilove, "Wendy Davis vs. Greg Abbott: Looking for Dirt on Payday Lending," Austin American Statesman (Jan. 8, 2014), available at http://www.statesman.com/weblogs/first-reading/2014/jan/08/wendy-davis-vs-greg-abbott-looking-or-pay-dirt-pay/.

[24] Ann Baddour, Matt Coleman, Rebecca Lightsey, Janis Monger, "Reshaping the Future of Small-Dollar Lending in Texas: Affordable Alternatives to High-Cost Payday and Auto Title Loans", Texas Appleseed 1 (2012), available at https://www.texasappleseed.net/sites/default/files/15-PDL-Alternatives.pdf.

[25] Don Baylor, Lauren Stebbins, "The State of Payday and Auto Title Lending in Texas," Center for Public Policy Priorities X (2013), available at http://forabettertexas.org/images/EO_2013_09_StateofPayday_final_FINAL.pdf .

[26] Texas Fair Lending Alliance, "History of Payday and Auto Title Lending in Texas," available at http://www.texasfairlending.org/the-issue/history/.

[27] *Id*.

[28] *Id*.

[29] *Id*.

[30] Tex. Fin. Code Ann. §§342.251 *et seq*.

[31] Ann Barbour, "Why Texas' Small-Dollar Lending Market Matters," e-Perspectives, Volume 12, Issue 2, Federal Reserve Bank of Dallas (2012), available at https://www.dallasfed.org/microsites/cd/epersp/2012/2_2.cfm#n13.

[32] *See Lovick v. Ritemoney Ltd.*, 378 F.3d 433 (5th Cir. Tex. 2004).

[33] Ann Baddour, Deborah Fowler, Merret Hanes, "Pulling Back the Curtain: Shining a Light on Payday and Auto Title Loan Businesses in Texas," Texas Appleseed 4 (2015), available at https://www.texasappleseed.org/sites/default/files/Pulling%20Back%20the%20Curtain_0.pdf.

[34] *Id*. at 20.

[35] Diane Standaert, Sarah Weed, "Payday Lenders Pose as Brokers to Evade Interest Rate Caps: The Next Chapter in Payday Lender Subterfuge," Center for Responsible Lending 3 (2010), available at http://www.responsiblelending.org/payday-lending/policy-legislation/states/CRL-CSO-Issue-Brief-FINAL.pdf.

[36] Community Financial Services Association, "The FACTS About Payday Advance Services Information Brochure (2005).

[37] Florida Department of Law Enforcement, Office of General Counsel: Legal Bulletin 2001-01, June 19, 2001. http://www.fdle.state.fl.us/cms/OGC/Summaries/2001/2001internet-book.aspx

[38] Florida Bill http://www.leg.state.fl.us/data/session/2001/Senate/bills/billtext/pdf/s1526er.pdf

[39] Brandon Coleman, Delvin Davis, "Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law," Center for Responsible Lending 4 (2016

[40] *Id*..

[41] *Id.*

[42] *Id*.

[43] *Id*..

[44] *Id at 3*.

[45] Beth Winegarner, "Payday-Loan Suit Tags Montel Williams, JPMorgan, Wells Fargo," Law 360 (January 2, 2013), available at http://www.law360.com/articles/403921/payday-loan-suit-tags-montel-williams-jpmorgan-wells-fargo.

[46] Nick Bourke, "States Facing Increased Risk from Online Lending," Stateline, Pew Charitable Trusts (September 10, 2015), available at http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2015/09/10/states-facing-increased-risk-from-online-lending.

[47] *See* 10 C.C.R. §1404, *et seq*.

[48] Kelly Riddell, "*Online Lenders Unconstrained by State Laws Fill Void*", Washington Times (Sept. 2, 2015), available at http://www.washingtontimes.com/news/2015/sep/2/online-lenders-unconstrained-by-state-laws-fill-vo/?page=all.

[49] Nick Bourke, Alex Horowitz, Walter Lake, Tara Roche, "Fraud and Abuse Online: Harmful Practices in Internet Payday Lending," The Pew Charitable Trusts 6 (2014), available at http://www.pewtrusts.org/~/media/assets/2014/10/payday-lending-report/fraud_and_abuse_online_harmful_practices_in_internet_payday_lending.pdf.

[50] *Id.*

[51] David Heath, Michael Hudson, "*Debt Deception? Fights over tribal payday lenders show challenges of financial reform*," The Center for Public Integrity (Feb. 7, 2011), available at https://www.publicintegrity.org/2011/02/07/2151/fights-over-tribal-payday-lenders-show-challenges-financial-reform.

[52] Bree R. Black Horse, "The Risks and Benefits of Tribal Payday Lending to Tribal Sovereign Immunity," American Indian Law Journal 388, 395 (2013).

[53] Hope M. Babcock, "A Civic-Republican Vision of "Domestic Dependent Nations" in the Twenty-First Century: Tribal Sovereignty Re-Envisioned, Reinvigorated, and Re-Empowered," 2005 Utah L. Rev. 443-571, available at http://scholarship.law.georgetown.edu/cgi/viewcontent.cgi?article=1958&context=facpub.

[54] *Id*.

[55] Nathalie Martin, Joshua Schwartz, "The Alliance Between Payday Lenders and Tribes: Are Both Tribal Sovereignty and Consumer Protection at Risk?," (2013), available at http://masonlec.org/site/rte_uploads/files/AGEP%3A%202013%20PPC%20on%20Federalism%20Martin%20The%20Alliance%20between%20Payday%20lenders%20and%20Tribes.pdf .

[56] Adam Mayle, "Usury On The Reservation: Regulation Of Tribal-Affiliated Payday Lenders," 31 Review Of Banking & Financial Law 1053 (2012), available at http://www.bu.edu/rbfl/files/2013/09/UsuryOnTheReservation.pdf .

[57] Id.