Quick cash loans

Robbing Peter to pay Paul and then robbing Paul to pay back Peter

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Unless you are Bill Gates or live in a yurt in the middle of nowhere, chances are you've had the experience of needing more than you can afford.

Whether to make ends meet during an emergency or to get us through the holidays, whether by financial indiscretion or by sheer bad luck, many of us have had a time when we needed some short-term credit.

Consumer debt has in many ways become an integral part of the American Dream. From student loans to car loans to credit card debt, the money we borrow pays for the purchases that move our lives forward in big ways and small.

According to the most recent numbers from the Federal Reserve, Americans owe more than $2.5 trillion in consumer (non-mortgage) credit — roughly $11,000 for every adult in the United States. And while many of us have a love-hate relationship with our creditors — loving the plastic as it propels us through the checkout lane, hating it when the bill arrives — economists generally agree that access to credit is a vital part of economic growth.

But one kind of credit — payday lending — is drawing increasing criticism from consumer advocates who say it preys upon borrowers with bad credit and forces them to pay exploitative interest rates.

Payday loans are short-term cash advances, ostensibly designed to help working people stay afloat until their next paycheck.

But organizations like the Center for Responsible Lending, the Mississippi Center for Justice, and the Mississippi Economic Policy Center, among others, say payday lenders often target poor communities, charge exorbitant interest, and deliberately encourage cycles of borrowing and re-borrowing that can cost far more in interest payments than the face value of the loan.

"That's where the market is: people who perceive they have no other choice," said Beth Orlansky, advocacy director for the Mississippi Center for Justice, a non-profit organization that works on issues affecting low-income Mississippians.

"I don't think anybody intends to get stuck in this cycle, but they need the money today and they don't think about tomorrow or the next day," Orlansky continued. "And as the economy gets worse, the needs increase."

Payday lenders are thriving in the Mississippi Delta.

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Advocacy director for the Mississippi Center for Justice

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Drive up and down Mississippi 1 in Greenville, and you'll find about a dozen in the space of a few miles. Open the phone book, and you'll find dozens more — businesses with names like Delta Cash, Cash Depot, Quick Cash, Cash Tyme, Check Advance and Fast Cash.

Go inside one of these establishments — or 10 of them, as the Delta Democrat Times did during a recent investigation into their lending practices — and you will likely find annual interest rates ranging from 300 percent to more than 500 percent, as well as a variety of offers designed to draw first-time customers into the business and keep them coming back.

Payday lenders make the borrowing process extremely simple: Bring a bank account statement, a pay stub, an ID and a recent utility bill; write a check for up to $400; walk out with a fistful of cash.

If you're a first-time borrower, that fistful will often match the face value of your check. For repeat borrowers, it will be substantially smaller.

The problems come two weeks later, when you have to repay the money you borrowed — and then some. According to the payday lenders approached by the DDT, if you fail to come back to pay them, they eventually deposit your check. If your checking account has insufficient funds, they add a returned check fee to your loan balance, typically $20 o $30. If you still can't pay them ack, they can move to garnish our wages.

Suddenly, the payday lender p the street starts to look empting.

"People will take out a loan, and then two weeks later, when it's due, they have to go next door and take out another one and pay it off," said Orlansky. "What we think is actually happening is that the average person will renew 10 or 12 times. ... So they're paying way more in fees than what the original loan was actually worth."

Orlansky said it's difficult to track payday lending in Mississippi because the industry is largely unregulated.

State law caps payday lending — or "deferred and delayed deposits" of personal checks — at $400, with interest and fees limited to 18 percent of the face-value of the check.

Write a check for $400, and you will leave with about $328.

Annualized, that two-week rate comes to 572 percent — 20 times the annual percentage rate charged by even the most expensive credit cards.

Beyond that, there are few requirements to operate a payday loan business.

The lenders don't particularly welcome scrutiny.

One business visited by the DDT — Cash Tyme, at 1525 Mississippi 1 South — would not disclose its interest rates. The teller said the business has a policy of not lending to the news media.

Another lender, Economy Check Advance, at 1452 Mississippi 1 South, would not allow a prospective borrower to write down the terms of the loan.

Four of the 10 payday lenders visited by the DDT clearly disclosed their annual percentage rates on a sign or other display. The rest put the terms of the loan into numbers such as "$20 on every $100" — but left it to the consumer to calculate the interest rate (521 percent annually).

Orlansky said the Mississippi Center for Justice wants the Legislature to track payday lending more carefully. She said her organization has helped introduce bills that would establish a record-keeping requirement to track how many loans people are taking out, increase the penalties for violating the lending rules, and make it illegal for a convicted felon to become a payday lender.

So far, the bills have all died in committee.

Rep. John Hines, D-Greenville, has sponsored legislation to increase restrictions on payday lending. He said the idea of increasing regulations for payday lenders has never gained political momentum in Mississippi, even though the state is among the worst in the country in predatory lending practices.

"I have attended workshops all over the country and have seen some of the programs that other states have, and they are regulated and provide a service that is more palatable than the ones in our state," Hines said.

In Arkansas, the attorney general's office recently closed down 156 payday lenders for violating the state's usury laws. When about 20 of those lenders allegedly failed to obey a cease-and-desist letter by the April 4 deadline, Attorney General Dustin McDaniel filed lawsuits against them in Pulaski County Circuit Court.

Arkansas' state constitution limits the interest charged on a loan to 5 percent over the Federal Reserve discount rate. Currently, that's 7.25 percent.

Orlansky said she isn demanding rates as low as tha — just low enough not to tra people in a cyclical credit crisis She pointed to the cap of 36 per cent annual interest that Con gress recently imposed on loans to military personnel and their families.

That measure, part of the National Defense Authorization Act for Fiscal Year 2007, was enacted after the Department of Defense found that predatory lenders were targeting military personnel around bases, luring service members into loans they were unable to repay. The Pentagon found the financial problems that ensued were reducing soldiers' readiness for duty.

"It seems to me that if they're going to have that cap on military, then it would be appropriate to have it for everyone else," Orlansky said.

Hines said he has seen all kinds of people in the Delta get into trouble with payday lenders, including constituents, friends and relatives who have become trapped in cycles of ever-increasing debt.

"Most of the people who use those industries are middle-class working people trying to survive from check to check," he said. "Those people are your school teachers, your supervisors at certain places, people you pass by every day on the street.

"I've watched a young man get his paycheck and take it directly to that place to pay those people," he added, "only to come back with more money borrowed from them so he can pay his utility bill."