



FREQUENTLY ASKED QUESTIONS

What is Michiganders for Fair Lending?

Michiganders for Fair Lending is a bipartisan coalition of organizations, leaders and community members from all corners of the state, including faith leaders, veterans, community groups, civil rights advocates and more. These diverse interest groups are united in their quest to end predatory lending practices by reducing interest rates on payday loans by pursuing passage of a ballot initiative.

What will the initiative do?

Currently, payday lenders in Michigan can charge outrageous interest rates that exceed 370% APR. Michiganders for Fair Lending is working to qualify a ballot initiative to reduce allowable interest rates to no more than 36%.

What are payday loans?

Payday loans are marketed as short-term loans to help people get through to their next payday, but the reality is the opposite: these loans carry triple digit interest rates and are designed to create a long-term cycle of debt. In fact, payday lenders are given access to the borrower's bank account so that they can be the first paid, before borrowers have a chance to pay for other things like rent, utilities, or groceries.

Are payday loans predatory?

Extremely so. In Michigan, a typical payday loan carries an annual percentage rate of 370% APR. The terms of the loan make it very difficult for a borrower to pay it off, which routinely creates a long-term cycle of debt. The data tells the story: 70% of payday borrowers in Michigan reborrow the same day they pay off a previous loan. Research from the Consumer Financial Protection Bureau (CFPB) shows that the average payday loan borrower is stuck in 10 loans over the course of a year. It should come as no surprise, then, that the debt trap is the core of the payday lenders' business model: 75% of payday lenders' revenue comes from borrowers caught in 10 loans per year.

How does payday lending impact borrowers?

Borrowers routinely find that they cannot cover basic living expenses. They often lose their bank accounts as a result of multiple insufficient funds and overdraft fees, and are more likely to have to file for bankruptcy than non-borrowers with similar financial circumstances.

What is Michiganders for Fair Lending doing to fix this?

Michiganders for Fair Lending is gathering signatures for a ballot measure that would lower the annual interest on payday loans to no more than 36% APR. This would disrupt the payday lenders' predatory model of trapping people in long-term debt in loans with unaffordable terms. 18 states plus DC protect their citizens with interest rate caps of around 36%.

What communities are most affected by predatory loans?

There are stories from across our state of borrowers who have gotten caught in the payday lending trap; from single mothers to veterans, from the elderly to college-aged students. We also know that Michigan payday lenders disproportionately target communities of color and rural communities. For example, data shows that there are 5.6 payday stores per 100,000 people in Michigan. In Black communities, that figure is 25% higher and in Latino communities the number of payday lending stores is 18% higher.

Where else has this been successful?

Currently, 18 states plus Washington DC cap rates at 36% APR or less. Voters in Nebraska recently approved a similar payday lending reform measure with an overwhelming 83% support. Other ballot measures have passed overwhelmingly, including in South Dakota, Colorado and Montana.

Where does 36% APR come from?

The 36% APR cap used by many states, and nationally, has been widely held as a fair lending standard for over 100 years. States that put a cap on payday lending use this widely agreed upon maximum of 36%; on a federal level, the 36% rate cap can be found in the Military Lending Act, which protects active-duty service members and dependents from predatory practices.