Public Comments on Proposed Guidance on Deposit Advance Products
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I am a small private payday lender. The biggest problem with analyzing the payday lending industry is that most do not understand the payday customer. Yes, the payday borrower has a cash flow shortage, which is why the larger loans with less APR do not help the payday borrower. These loans just mount piles of long term debt onto the consumer. The payday borrower needs the cash in hand now. The cash in hand now corrects the cash flow problem, while the larger loan dwindles quickly and leaves the borrower back where they started. The problems lie in jobs, wages, salaries, inflation etc. You are trying to change a symptom not the problem. With better jobs and higher pay or lower costs for goods and services the need for payday lending dwindles.

Also, the fees are not as exorbitantly high as claimed (especially when you analyze the risk and loss a payday lending institution experiences). If you take a $100 loan with a $20 fee and repeat it every two weeks for three years (even though we all know this does not occur) the customer has borrowed $7,800 for a cost of $1,560. If a financial institution would actually loan this same amount to a payday loan customer (which would be highly unlikely) for a three year period at a rate of 12% (another unlikely factor: most likely much higher) the cost would be $1,523.58. However, the difference is that $7,800 would be spent before the first year ended leaving a balance of $5,503.56, while the payday loan keeps the cash in hand with a $20 payoff at anytime.

We know our customers personally. We are happy to help them and they are thankful to receive our help. We discuss alternatives and other financial instruments, however most customers refuse the alternative and tell us how they want to handle their business. Feel free to contact me for further insight. Cordially,