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Before a packed audience of publishers, representatives of the payday lending industry and the Center for Responsible Lending (CRL) debated whether this small dollar loan was helpful credit or a debt trap. The engaging January 22 debate, part of the recent National Newspapers Publishers' Mid-Winter Conference held in Charlotte, NC drew candid comments from presenters and publishers alike.

The spirited dialogue drew two distinct positions. On the one hand, the Center for Responsible Lending, a non-partisan, nonprofit research and policy organization strongly contended that payday loans were predatory in nature and targeted minority consumers. By contrast, Advance America, one of the nation's largest corporate payday lenders adamantly maintained that race had nothing to do with store locations; rather in their view, economics alone drove site selection. Advance America also maintains that payday loans are a response to people living paycheck to paycheck; while CRL countered that it is the loan product itself that causes families to live paycheck to paycheck, due to the two-week term that depletes checking accounts.

Willie Green, speaking on behalf of Advance America, noted that annually 19 million people use the services of 22,000 payday stores nationwide, representing a $4 billion enterprise. Maintaining that the average payday customer takes out only eight loans within a 12- to 18-month period, Green claimed a demand for the product because Americans "live paycheck to paycheck"

Most importantly, the former payday store owner alleged that those who criticize the industry "haven't done their homework".

However, Keith Corbett, Executive Vice-President for the Center for Responsible Lending, clearly stated that the APR for a typical two-week loan spanned 391-521 percent. Adding that the ability to repay a loan is not a factor in the industry's approval process, borrowers only needed to present personal identification, a checking account, and income from a job or governmental benefits.

Agreeing with earlier remarks to publishers by the Rev. Jesse Jackson, Corbett characterized payday lenders as 'back-door lenders' while the industry entered the 'front door' of banks to borrow funds, calling for reforms in both industries.

Citing the contrasting percentages between percent of population and percent of loan transactions, Corbett clearly saw a strong connection between the industry locating shops in primarily minority communities while Green maintained that store locations were based on economics and not race.

Terming payday loans as a "debt trap" that strips wealth from communities of color, Corbett quoted Dan Feehan, CEO of Cash America, as saying "And the theory in the business is you've got to get that customer in, work to turn him into a repetitive customer, long-term customer, because that's really where the profitability is."

Corbett additionally cited a recent Advance America Prospectus, published data that documents how 90 percent of payday loans go to borrowers with five or more loans, while only two percent of loans go to borrowers who take out their loan, pay it off in two weeks, and do not need to borrow again.

Quantifying the effects of payday lending in the nation's most populous state, California, Corbett shared how $247 million is annually drained from California's communities of color. Moreover, he said, this loan volume is gained from the patronage of Native Americans, Latinos and African Americans who together represent 65 percent of all loans in California, despite the fact that these three minority communities account for only 35 percent of the adult population.

Similar findings were shared for Texas and Arizona. For example Latinos and African Americans together represent 39.6 percent of the Lone Star state's adult population; yet they account for 77 percent of all payday loans. In Arizona's Pima County, Native Americans, Latinos and African Americans are 35 percent of the adult population yet take out 65 percent of loans.

Corbett also noted two other startling trends:

- Payday borrowers are twice as likely to default on credit cards or file for bankruptcy;
- 25-50 percent of borrowers will default in the first 12 months;

When questioned by Bob Bogle, President and CEO of the Philadelphia Tribune, as to what the annual percentage rate of a payday loan was, Green responded by citing a $15 fee per $100 over a two-week period. Despite repeated attempts to learn from the industry its average APR, as well as other publishers seeking to learn the cost of rollover fees when loans could not be fully paid, Green continued to cite the two-week fee.

Through the work of CRL and other advocates, consumer protection efforts have led 15 states and the District of Columbia to impose a two-digit percentage rate cap.

In 2002 and reaffirmed in 2005, the NAACP passed a national resolution against predatory loans with triple digit interest rates. At the organization's 100th Annual Convention in 2009, Ben Jealous, NAACP President said, "The top rate in share cropping was 40 percent. The top rate at some of the wild cat payday lenders can go up to 1,000. And at the corporate ones, it's a little over 400. For the military, they're restricted to 36 percent. So it's either as bad as loan sharing or ten times worse than share cropping; but either way, it shall not stand much longer."

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