

The Illinois Payday Loan Loophole

Post-Payday Loan Reform Act Lending and the Debt Collection Practices of One Large Lender in Illinois



Woodstock Institute

applied research, policy and practice
innovation for community economic development

Public Action Foundation

Loan Default Court Cases Filed by AmeriCash Loans, LCC between January 2007 and March 2008¹

Loan Characteristics	Loan Information by Loan Type		
	All Loans	31 Day Payday Loans	Payday Installment Loans
Number of Loans	253	67	186
Loan Term (in days)			
Average	-	31	319
Loan Principal			
Average	-	\$398	\$1,224
Finance Charge			
Average	-	\$183	\$1,769
Annual Percentage Rate (APR)²			
Average	-	530%	279%
Loan Terms Before and After the 2005 Payday Loan Reform Act			
Number of Loans	253	67	186
Pre-2006	133	67	66
Post-2006	120	-	120
Loan Distribution by Date			
Pre-2006	-	50%	50%
Post-2006	-	0%	100%
Average Principal			
Pre-2006	-	\$398	\$1,165
Post-2006	-	-	\$1,257
Average APR			
Pre-2006	-	530%	255%
Post-2006	-	-	293%
Borrower Characteristics			
Female Borrowers	181	39	142
Male Borrowers	72	28	44
Female Borrowers (percent)	72%	58%	76%
> 50% Minority Community	72%	-	-
Lower Income Community	62%	-	-
Default Characteristics			
Damages Claimed			
Number of Loans	250 ³	67	183
Average	-	\$947	\$3,150
Judgment			
Number of Loans	26 ⁴	17	9
Average	-	\$795	\$3,214
Damages Claimed as a Percent of Principal (damages claimed divided by principal)	-	238%	257%
Judgment as a Percent of Damages (judgment divided by damages claimed)	-	84%	102%

¹Cases were collected by Alyssa Nogaski, Maureen Ryan, and Emily Rosenthal

²Based on APR calculations provided as part of the Truth in Lending disclosure provided to the borrower at the time of loan origination, not the APR calculations of the average loans

³Three cases of the 253 did not have claim information included

⁴At the time of the survey, 26 of the 250 loans with claims had a judgment issued

Key Findings

After the Payday Loan Reform Act went into effect, the lender switched to longer-term loans not subject to strong consumer protections – Before the Payday Loan Reform Act, AmeriCash made both 31 day payday loans and longer-term installment loans. Since the passage of the act, the lender increasingly moved away from offering the 31 payday loan product and now primarily offers only longer-term installment loans with terms of nearly a year.

Installment loans have triple digit interest rates and terms of nearly a year – For surveyed installment loans, the average interest rate, as disclosed on the Truth in Lending statements provided during loan origination, was 279 percent. On average, borrowers paid a \$1,769 finance charge to borrow \$1,224 for 319 days.

Over 70 percent of installment loan borrowers were women – Women made up a large percentage of installment loan customers, a finding consistent with previous Woodstock Institute research based on court cases from both before and after the passage of the Payday Loan Reform Act.

Installment loan borrowers were sued for damages nearly two and a half times the amount borrowed – When the lender pursued the borrower in court after default, the lender claimed damages averaging \$3,150, or 257 percent of the amount borrowed. In each completed case, judgment was entered in favor of the lender, with an average judgment of \$3,214 or 102 percent of the damages claimed.

The majority of borrowers live in lower-income or predominately minority neighborhoods – Over 72 percent of borrowers lived in a community where the population was more than 50 percent minority, and 62 percent lived in a low- or moderate-income community. See the map on the back page for details on the regional distribution of cases filed in the Circuit Court of Cook County.

About the Data

The data for this report were drawn from AmeriCash court filings with the Circuit Court of Cook County between January 2007 and March 2008. During that period, 339 cases were filed, 253 (75 percent) of which are represented in the data set used for this report. At the time the survey was conducted, 77 cases were unavailable. While 262 cases were initially collected, nine were excluded because of incomplete information regarding the loan terms and conditions.

While court filings do not represent the entire universe of loans, they do illustrate the terms and conditions of problem loans. They are also helpful in understanding common lending practices as well as the court process. All 253 cases represent loans that have entered default and are at some stage of the litigation process (initial complaint, verified complaint, certification by counsel, summons, judgment or wage deduction orders). For all of these loans, a copy of the signed Truth in Lending Act disclosure provided to the borrower at the time of loan origination was included and used to determine the principal, finance charge, and APR.

