Oklahoma families don't need a new, high-cost loan product

Oklahomans already have easy and widespread access to non-traditional sources of credit.

- Payday loans of up to $500 are available from more than 200 licensed deferred deposit lenders.
- Signature "B" loans of up to $1,530 are available from more than 1,200 licensed supervised lenders.

Oklahomans use these products at very high rates.

- In 2017, nearly 900,000 payday loans were originated in Oklahoma totaling $360 million, and 1.3 million "B" loans were originated in Oklahoma totaling $1.1 billion. The total number of these loans issued in 2017 exceeded the combined number of people who attended home games of the OKC Thunder and OU and OSU football that year.
- Oklahoma has the highest payday loan usage rate in the country - 13 percent of Oklahomans report taking out payday loans, double the national average, according to a 2012 study by the Pew Research Trust.

Adding a new product to the market will simply trap more struggling Oklahomans in more debt. New products that cost consumers more are not the solution that struggling Oklahoma families need.

Installment loans would be more expensive than existing loans.

- The installment loan product passed by the Legislature in 2017 and vetoed by Gov. Fallin (HB 1913) would have created loans that hit borrowers with charges 3 to 4 times higher than the comparable "B" loans that are already available.

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Any new loan product that is "stackable" with existing products is especially dangerous.

- Borrowers could take out the maximum amount of each loan product and quickly accumulate a large debt.
- Any new high-cost product that can be taken out in addition to the maximum payday loans and the maximum "B" loans would make struggling Oklahomans worse off.

High interest loans are NOT necessary, even for borrowers with bad or non-existent credit.

- The solution to financial struggle is not a high-cost loan with triple digit interest that traps the user in a cycle of debt.
- In states where high-cost lending is illegal or severely restricted, individuals in difficult financial situations find other ways to cope. Many find ways to cut back on expenses or borrow from family and friends. They also negotiate payment plans with landlords and utility companies, use pawn shops, or try to get a loan from a bank or credit union.
- When storefront loans are not available, would-be payday borrowers don't seem to be turning to online payday loans. The rates of online payday borrowing are not significantly higher in states with no storefront payday lenders than they are in states that allow payday lending.

For links to data sources and additional information, visit us online at
www.okpolicy.org/StopTheDebtTrap

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