

## Private Equity-Owned Payday Lenders Profit by Trapping People in Debt

Private equity firms have pushed into the high-priced consumer loan industry, offering payday and other consumer loans that profit off trapping borrowers in a cycle of debt. Private equity (PE) firms own over 5,000 storefront payday and online lenders that make loans at 300% annual percentage rates (APR) and more.<sup>1</sup> Some of the largest and most well-known payday lending companies, like ACE Cash Express, Speedy Cash, Money Mart and the Check Cashing Store, have been owned by private equity firms.<sup>2</sup>

Payday and car title loans create a long-term debt trap that causes serious financial harm, including increased difficulty meeting basic household needs, loss of a vehicle, and bankruptcy. Payday and car title lenders extract nearly \$8 billion in interest and fees from consumers every year.<sup>3</sup> And 8 in 10 payday loans go to pay off another payday loan.<sup>4</sup> About one in 25 families take out a payday loan each year and African American and Latinx consumers are over twice as likely to have a payday loan.<sup>5</sup>

**PE-owned payday lenders evading state consumer protection laws:** PE firm FFL Partners bought Curo Financial, owner of Speedy Cash and Rapid Cash in 2008.<sup>6</sup> In 2018, Speedy Cash paid \$750,000 to settle allegations that it dodged California rate-cap rules and had to repay 6,400 borrowers.<sup>7</sup> Although Curo became public after California’s suit, FFL Partners still held a 20 percent stake in the predatory lender.<sup>8</sup> Curo recently told investors that it planned to evade California’s new interest rate cap through a sham bank partnership.<sup>9</sup>

**PE controlled online payday lender dodges state usury laws, goes bankrupt from lawsuits:** Another PE partnership backed an early internet lender, Think Finance that pushed high-cost loans that posed the same risks as storefront payday lenders.<sup>10</sup> Many of its loans illegally charged interest rates higher than what the states they were made in permitted.<sup>11</sup> The Consumer Financial Protection Bureau found that it collected \$86 million from loans that were void under state laws.<sup>12</sup> It settled a raft of lawsuits by paying nearly \$40 million to 21 million borrowers for loans that could have interest rates over 400 percent and cost \$1,800 for borrowing \$500.<sup>13</sup> In 2017, Think Finance went bankrupt in part because of these lawsuits.<sup>14</sup>

**Notes:** <sup>1</sup>AFR and Private Equity Stakeholder Project. “[Private Equity Piles into Payday Lending and Other Subprime Consumer Lending.](#)” December 2017

<sup>2</sup>Whoriskey, Peter. “[‘A way of monetizing poor people’: How private equity firms make money offering loans to cash-strapped Americans.](#)” *Washington Post*. July 1, 2018.

<sup>3</sup>Standaert, Diane et al. Center for Responsible Lending. “[Payday and Car-Title Lenders Drain Nearly \\$8 Billion in Fees Every Year.](#)” April 2019 at 3.

<sup>4</sup>Burke, Kathleen et al. CFPB’s Office of Research. “[CFPB Data Point: Payday Lending.](#)” March 2014 at 4 to 5.

<sup>5</sup>Bricker, Jesse et al. “[Changes in U.S. Family Finances from 2013 to 2016: Evidence from the Survey of Consumer Finances.](#)” *Federal Reserve Bulletin*.

September 2017 at Table 5 at 27; Burhouse, Susan et al. Federal Deposit Insurance Corporation. “[2013 FDIC National Survey of Unbanked and Underbanked Households—Appendices.](#)” October 2014 at Table 12A at 83

<sup>6</sup>FFL Partners. [Portfolio Companies: Speedy Cash](#). Internet Archive December 2008. Accessed November 2019.

<sup>7</sup>California Department of Business Oversight. [Press release]. “[DBO continues crackdown on interest rate cap avoidance entering consent order with California check cashing stores.](#)” January 22, 2019.

<sup>8</sup>Dugan, Kevin. “[Payday lender’s IPO gets a ‘meh’ from Wall Street.](#)” *New York Post*. December 7, 2017; CURO Group Holdings Corp. [SEC form DEF-14A](#). April 16, 2019 at 16.

<sup>9</sup>National Consumer Law Center. [Press release]. “[Advocates Urge FDIC, OCC, Federal Reserve to Stop Banks from Helping Payday Lenders Evade State Interest Rate Limits.](#)” November 7, 2019.

<sup>10</sup>Rao, Leena. “[Sequoia-backed Think Finance gets a \\$90 million credit line to help serve ‘the unbanked.’](#)” *TechCrunch*. September 23, 2010; Shubber,

Kadhim. “[Why this subprime lender funds loans through the Cayman Islands.](#)” *Financial Times*. January 19, 2016; Brickley, Peg. “[Think Finance bankruptcy exposes fallout with Victory Park Capital.](#)” *Wall Street Journal*. October 24, 2017.

<sup>11</sup>Howland, Jack. “[Fort Worth firm allegedly violated payday loan laws for years. Now it’s paying \\$39.7M.](#)” *Fort Worth Star-Telegram*. June 28, 2019.

<sup>12</sup>CFPB. [CFPB v. Think Finance, LLC](#). Complaint. U.S. District Court of Montana, Great Falls Division. November 15, 2017 at 25.

<sup>13</sup>Howland (2019); Tompor, Susam. “[Westland woman had 350% interest rate on \\$1,200 loan and a loophole allows it.](#)” *Detroit Free Press*. July 12, 2019.

<sup>14</sup>Tompor (2019).