



Brian Calhoun, Ph.D.
Councilmember, District 2

COUNCIL AGENDA ITEM - 9:15 AM #1

DATE: November 4, 2008

TO: Fresno City Council

FROM: Councilmember Brian Calhoun

BY: Council Assistant Ann D. Kloose
Council Assistant Shari Jones

AGENDA ITEM: Request staff to return to Council in 30 days with a resolution to the State of California Legislature requesting the capping of interest rates at 36% for all California check cashing and payday loan companies. Additionally, request staff to return to Council on November 18, 2008 with a six month moratorium prohibiting new payday lenders in the City of Fresno. – Councilmember Calhoun

INTRODUCTION

Millions of Americans do not rely on banks to meet their financial needs. Instead they pay huge fees at check cashing outlets and payday lenders, making it difficult for consumers to save money, accumulate assets and become financially self-sufficient. These predatory lending operations, a \$85 billion dollar a year industry, have experienced a resurgence during the past sixteen years made possible by exploiting deregulated interest rates, winning special treatment from state legislatures and designing products to intentionally slip through regulatory loop holes.

The economic peril currently facing the nation further exacerbates the numbers and frequencies of our citizens being exploited by these check cashing outlets and payday lenders. It is the belief by many that the current lack of federal regulation in the mortgage lending industry is the cause of the financial crisis we see today. It can be said that the lack of predatory lending regulation in 35 states contributes to the continual exploitation and financial peril of millions of Americans throughout our communities. Stark evidence of this is the staggering fact that payday lending costs consumers over \$6 billion a year in interest for over \$40 billion in loans.

BACKGROUND

A study of these predatory lending practices show that many take out payday loans with Annual Percentage Rates (APR) or interest rates ranging from 400% to 1,000% when they run short of cash before their next paycheck. The comprehensive report issued in

November of 2007 (*Controlling the Growth of Payday Lending Through Local Ordinances and Resolutions*) (Attachment A) offers information and guidance on this issue. The following example, illustrates what commonly occurs to people seeking help in surviving until their next paycheck. The borrower writes a check for \$100 - \$300, plus a fee, payable to the lender. The lender agrees to hold the check until the borrower's next payday, at which time the held check will be deposited. In return, the borrower gets cash immediately. The fees for the payday loans are extremely high: from \$17.50 for every \$100 borrowed, up to a maximum of \$300. The interest rates for such transactions are staggering: 911% for a one week loan; 456% for a two week loan, 212% for a one month loan. A recent article in the Wall Street Journal tells of Nicki Newman, who worked at two payday-lending stores during the past six years, most recently at Heartland Cash Advance in Chillicothe, Ohio, said if a customer didn't come back later for a new loan, the company would call them weekly. This persistent practice ensured that the same 200 to 300 customers returned every two weeks to pay off their previous loan and take out a new one.

The City of Fresno is saturated with 78 payday loan businesses. Compare this to approximately 125 banking institutions serving Fresno citizens. Of the 78 payday loan businesses, 13 are concentrated on E. Kings Canyon Blvd in Southeast Fresno. The report titled "An Examination of the Payday Lending Industry in the City of Fresno" offers this. Estimates show that spending resulting from borrowers could create a total of \$35.4 additional millions in business sales in the city (output), support 251 more full-time jobs and create \$8.9 additional million in labor income paid by city companies, if these borrowers were not paying costly short-term loan fees. (Attachment B)

In Alex Padilla's 20th State Senate district in the San Fernando Valley, there are 96 payday lenders and 76 banks, an inverted ratio of lenders to banks confirming the availability of these predatory lenders state-wide, predominantly in low income areas. This illustrates their intent to dominate specific markets to the exclusion of traditional banks by attracting customers and holding customers caught in the payday lending trap. They prey on those that have the least and often don't completely understand the vicious cycle that they are getting into.

Predatory lending can be devastating to households and neighborhoods. The California Reinvestment Coalition estimates that check cashers and payday lenders extract billions of dollars per year from California households. A study released by the Southwest Center for Economic Integrity conservatively estimated that \$20 million dollars in fees were being extracted annually from residents in Pima County, which includes the City of Tucson.

Existing law does not go far enough to protect consumers from these predatory lenders. Senator Don Perata (D-Oakland) introduced Senate Bill 834 which essentially allows the same charges for payday loans as the Financial Code currently allows for small loans made by licensed finance lenders. The charges permitted would be a \$5 "set-up" fee, plus a maximum interest rate of 36% per year (3% per month or 1.5% for two weeks). Thus, a \$100 two week loan would cost a maximum of \$6.50 (\$5 set-up fee plus \$1.50 interest) as compared to current law allowing a \$17.50 charge. A \$200 two-week loan would cost \$8 rather than \$35.

Several cities and counties have enacted moratoriums on payday lending outlets. There are three types of ordinances that have been found to be effective. The first is a six month moratorium on new payday lending outlets during a “study period” of their impact on citizens. The second is the requirement of special non-conforming Special/Conditional Use Permits for payday lending outlets. Some cities also require a public hearing in conjunction with the permit application. Lastly, the third option that has been found to be effective is a complete prohibition on new payday lending outlets.

Payday lending is currently prohibited in fifteen states and the District of Columbia. Of the 35 states that allow payday lending some, such as New Hampshire, Ohio and Oregon, have enacted interest rate caps of 36%. In a number of instances, predatory lenders have actually closed.

CLOSING

As elected officials we face many challenges and are given many opportunities to adopt ordinances and City of Fresno codes to protect our citizens. In this particular case, we will need to take both local action and request our State Legislature to join the 15 states and federal government (which have capped interest rates on loans made to military families) that have already taken action to protect their citizens. This is not cutting edge governance that we are requesting. We are simply asking to join the growing list of cities taking local action and to take the lead in urging the State to do what only they can do to stop the cycle of lending predators. Let’s not wait and find ourselves joining the elected officials in Washington who wish they would have acted earlier in passing regulations in the mortgage lending industry which finds itself in peril today.

I would also like to thank the many members of the community who have taken the time to respond to the preliminary release of this document. I appreciate their support and suggestions regarding how to address the issues facing our constituents.

DIRECTION

Request staff to return to Council in 30 days with a resolution to the State of California Legislature to cap interest rates at 36% for all California check cashing and payday loan companies. Additionally, request staff to return to Council on November 18, 2008 with a six month moratorium prohibiting the establishment of new payday lenders in the City of Fresno pending a review of these practices on Fresno citizens.

Attachment A – *“Controlling the Growth of Payday Lending Through Local Ordinances and Resolutions”* – A Guide for Advocacy Groups and Government Officials, November 2007 (Section IV)

Attachment B – *“An Examination of the Payday Lending Industry in the City of Fresno”* – Fresno Works for Better Health Advocacy Center, February 2008 (Appendix 1 – List of Payday Lender Ordinances)

Controlling the Growth of Payday Lending Through Local Ordinances and Resolutions

A Guide for Advocacy Groups and Government Officials

November, 2007

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APPENDIX 1 - List of Payday Lender Ordinances

JURISDICTION	BASIS FOR LIMITS	DETAILS	CITATION
Peoria, AZ	Density	1,000 feet between outlets	
Phoenix, AZ	Density	Proposed zoning rule first considered at Planning Commission meeting on 11/9/05: check-cashing stores must be at least 1,000 ft. apart	Chapter 2, Rules of construction and definition, section 201
Pima County, AZ	Permit/Density	New payday lenders not allowed to locate within 1,320 ft (one quarter mile) of existing operations or 500 ft. of homes or residentially zoned property. Also requires a special use permit.	
Tempe, AZ	Density	One quarter mile between outlets	
Tucson, AZ	Density	One mile of separation between payday lending stores and 500 feet between payday lending stores and neighborhoods	Ordinance no. 10252
South Tucson, AZ	Zoning/Density	Limited to three business zones. Cannot open within 1,000 feet of existing operations or within 500 feet of houses.	City Council Ordinance No:05-03 amending Chap. 24, Article I SEC. 24-1, Article IV
North Little Rock, AR	Moratorium	24 month moratorium on establishment of new check cashing businesses beginning 9/10/07	Zoning ordinance #7985
Montebello City, CA	Moratorium	Six month moratorium beginning 4/25/07	
Oceanside, CA	Permit	Requires special operating permit, payday lenders classified as adult businesses, not permitted within 1,000 feet of similar businesses or within 500 feet of home, church, park or school.	
Oakland, CA	Permit	Special Use Permit, must not be closer than 1,000 ft. from another check casher/payday lender; must be at least 500 ft. away from: -Community education civic activities (schools) -State or federally chartered banks, savings associations, credit unions, or industrial loan companies -Community assembly civic activities (churches) or -Liquor stores (excluding full service restaurants or liquor stores with 25 or more full time employees).	Oakland Planning Code 17.102.430
Sacramento, CA	Prohibition	Not allowed in an area zoned for commercial mixed- use development.	17.130 special districts
Santa Monica, CA	Permit	Conditional use permit.	Intern survey
South Gate, CA	Conditional use	Limits hours of operation from 7 a.m. to 10 p.m. Minimum security requirements include burglar alarm, operating public address system, and full time security guard who must be approved by police chief.	

JURISDICTION	BASIS FOR LIMITS	DETAILS	CITATION
Washington, DC	Interest rate restriction	9/07 -- repealed ordinance that exempted consumer loans from interest rate cap Payday lenders can now charge no more than 24% APR on payday loans. Ordinance will go into effect in early 2008.	Washington, DC
Ft. Lauderdale, FL Pembroke Pines, FL	Permit	City Zoning Code does not prohibit or permit check cashing services -- decision on a case-by-case basis. (Requires public hearing?) Special use permits.	Notes*
Belleville, IL	Density	City limits number of outlets in city to three.	
Bellwood, IL	Licensing	Requires special licensing process.	City Ordinance 117.999
Chicago, IL	Zoning Change	Change zone classification from a service district to special use, which would require public hearing.	Notes*
Glendale Heights, IL	Permit	Special Use Permits	Title 4, chapter 1
Blue Springs, KS	Density and Permit	Requires hearing and conditional use permit, 200 ft. between the business and residential lot, 1000 ft. from a school or park facility, 1000 ft. from another loan service, pawn shop or precious metal or gem dealer, 1000 for from city limit, conditional use permits limited to 1/4500 residents	
DeSoto, KS	Prohibition	Prohibits payday lenders from the city.	
Kansas City, KS	Land Use	Prohibits payday lending or check cashing outlets on parkways or boulevards	
Shawnee, KS	Moratorium and Density	Bans new cash-advance businesses on the eastern side of city. No new cash-advance outlets within on e mile of another cash-advance business	
Superior, MN	Permit	Special Use Permits 2,500 ft. required between payday lenders.	
Arnold, MO	Permit	Conditional Use Permit for "small loan business". Limits business to certain commercial areas.	
Berkeley, MO	Licensing	Creates a classification for payday institutions different from " financial institutions".	Notes*
Fairview Heights, MO	Density	City limits number of payday lenders to two.	
Gladstone, MO	Density	One mile between outlets, 200 ft. from residential area, outlet must be in a multi-tenant commercial building housing at least four separate entities	

JURISDICTION	BASIS FOR LIMITS	DETAILS	CITATION
City of North Kansas City, MO	Permit	Conditional use permit. Restricts payday lenders and check cashers from doing business in certain zones. Restricts amount of signage allowed in windows.	
Oak Grove, MO	Permit	Passed – density of 1 store per 5000 residents. Proposed – special use permits with certain restrictions	
St. John, MO	Licensing	Creates a separate license category for payday lending.	Notes*
St Joseph, MO	Density	Per capita limit of one store per 15,000 residents	
St. Louis County, MO	Permit	Conditional Use Permit for each location. Requires public hearing for each request.	
Clark County, NV	Permit/ Density	Same as for city of Las Vegas.	
Henderson, NV	Permit	Essentially banned in Downtown Redevelopment Area. In 2004, began requiring a Conditional Use Permit for all new payday loan centers and declared several zoning categories off limits to them. New rules considered: separation requirements from schools, residential areas, and other check-cashing businesses.	
Las Vegas, NV	Permit/ Density	Special use permit requirement. May not be within 200 ft. of residences. Must be 1,000 ft. from other financial institutions, auto title loan businesses, and pawn shops. Restricted hours.	Title 19.06
North Las Vegas, NV	Moratorium	A 6 mo. moratorium on new payday lenders started in July 05. Considering restrictions similar to Las Vegas.	
Lakemore, OH	Density/ permit	Ordinance defines number of terms and limits location of payday loan business. They cannot be within 750 ft. of any other payday loan or similar business.	Ordinance No 1365-2006
Beaverton, OR	Loan restriction	Same as Portland, OR	Title 7, chap. 7.12
Bend, OR	Loan restriction	Same as Portland, OR	
Eugene, OR	Loan restriction	Same as Portland, OR	Council ordinance #20372, code sec. 3.550-3.560
Gresham, OR	Loan restriction	Same as Portland, OR	Chap 9, Art. 9.90
Oregon City, OR	Loan restriction	Same as Portland, OR	Ord. 06-1005
Portland, OR	Loan restrictions	Lenders may not renew loan unless borrower has paid at least 25% of principal prior to renewal. Borrower may cancel loan within 24 hours with certain restrictions. After max number of rollovers, lender shall allow borrower to convert to payment plan prior to default. Passage of 2007 Oregon state law capping rates at 36% had no effect on local ordinances.	Chapter 7.26
Troutdale, OR	Loan restriction	Same as Portland, OR	Chap 5.06.050-070
Woodburn, OR	Loan restriction	Same as Portland, OR	

JURISDICTION	BASIS FOR LIMITS	DETAILS	CITATION
Pittsburg, PA	Density	500 ft. from residence, 1000 ft. from a similar business	Notes*
Columbia, SC	Permit	Special use permit required	Notes*
Easley, SC	Temporary suspension	Voted to suspend the issuance of business licenses to any new payday loan, cash advance, title loan, pawn broker, bail bondsman or similar types of businesses until Dec. 11, 2007	
American Fork, UT	Density	One store per 10,000 residents	
Draper, UT	Zoning/ permit	Prohibits payday lenders from locating in any of 10 of 11 commercial zones. Location in the one zone where payday lenders are allowed requires a conditional use permit.	Chapter 9-11, commercial zoning
Midvale, UT	Density	One outlet per 10,000 residents	5.20.210
Orem, UT	Density	One outlet per 10,000 residents, minimum ½ mile between outlets	Ord. 0-07-0037 Sec. 22-14-21(A)
Salt Lake County (unincorporated)	Moratorium	Six month moratorium while final ordinance is being drafted	
Sandy, UT	Density	Minimum 1000 feet between outlets; one outlet per 10,000 residents.	
South Salt Lake City, UT	Density	Restricts businesses to 600 ft. from the nearest residential zone (some exceptions). Restricts the number of facilities to 1 for every 5,000 people. Prevents all check cashing establishments from certain districts of city.	5.48.240 5.48.200
South Jordan, UT	Density	Outlets must be a minimum of one mile apart.	
Taylorville, UT	Density	Only one outlet per 10,000 residents.	
West Jordan, UT	Density	Minimum 1000 feet between outlets, One outlet per 10,000 residents.	Chapter 17
West Valley City, UT	Density	600 ft. between payday lending outlets. One outlet per 10,000 residents.	City Code Section 7-1-103, Subsection 30
Chesterfield, VA	Conditional Use	Conditional use process that allows a site-specific review by the Board of Supervisors.	
Chesterfield County, VA	Zoning	Limited to certain commercial zones	
Norfolk, VA	Permit	Payday loan and/or auto title loan establishments must receive permission from the city council in the form of "special exception use" permits	Chapter 6 - 4
Henrico Co (Richmond, VA)	Moratorium	Established "sunset" period to phase out locations	
Langley, VA	Zoning	Outlets allowed only in an enclosed mall with C3 commercial zoning.	
Burlington, VT	Prohibition	Zoning does not include check cashing.	Notes*

JURISDICTION	BASIS FOR LIMITS	DETAILS	CITATION
Green Bay, WI	Density	Prevents stores from opening within 5000 feet of each other	Sec. 13-1606(v), Code of Ordinances
Madison, WI	Density	Prevents stores from opening within 5,000 feet of each other	City Code 28.03-28.08
Milwaukee, WI	Permit	Special use permits, 1,500 ft. from similar business; 150 ft. from single or two-family zoned property.	Milwaukee Code of Ordinances, Sec. 295-311-2-h
Racine, WI	Zoning/ permit	Makes payday loan stores a conditional use, and sets distance requirement of 2500 feet between stores and 250 feet from residential districts.	Sec. 114-468(28), Code of Ordinances
Superior, WI	Zoning/density	2,500 ft. separation; commercial highway locations only.	
Wauwatosa, WI	Moratorium	Within 300 feet of residentially zoned parcels and 1500 feet. of similar businesses	Sec. 24.46.100, Code of Ordinances

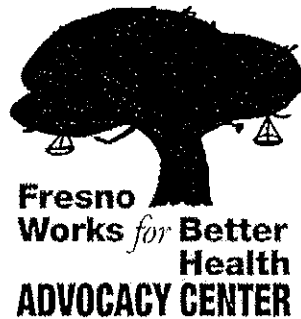
As of November 2007 draft ordinances are currently being considered by:

- Glendale, AZ
- Marana, AZ
- Oceanside, CA
- San Francisco, CA
- Fort Mill, SC
- Salt Lake City, UT

If you have additional information on these or other local payday loan ordinances, please email linda@crossroads-u-c.org.

An Examination of the Payday Lending Industry in the City of Fresno

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SECTION IV.

A. A Typical Cycle of Debt: The Cost of Short-term Loans

Another popular payday lending industry product is short-term loans for immediate cash secured by the borrower's next paycheck. To get a loan of this kind, the borrower authorizes a payday lender to cash a postdated check (usually dated on the borrower's next payday) and receives cash, minus fees charged by the payday lender.

Although now advertised as short-term emergency loans, most loans are "flipped" or "rolled over" multiple times, with borrowers paying interest rates and fees without touching the principal. Such lenders encourage multiple loan renewals (although rollovers are illegal in California, but are often necessary because borrowers are unable to repay the full amount of the debt within the allowable time frame, usually two weeks). Instead, payday lenders close the first loan and open the second, while the borrower continues paying interest.

Due to the short duration of these loans, the fees charged by payday lenders generally entail sizeable annualized interest rates, averaging between 100 percent and 700 percent. Short-term loans, therefore, can substantially reduce the cash that borrowers would have available to spend if they did not have to pay such fees. Borrowers often turn to other payday lenders in an effort to pay off the original loan. This means that many borrowers soon discover they have entered a tangled cycle of debt that presents great difficulties from which to escape.

Short-term loans and rollovers have a negative impact on individuals and their families, but the aggregate economic cost can also be significant. For the City of Fresno, this means that since residents must pay considerable lending fees to payday lenders, rather than consuming these refunded dollars among local business, the amount of fresh funds that could be annually injected into the local economy are diminished. Consequently, the economic benefits for the city in terms of employment and income are also substantially decreased.

To estimate the economic cost of the cycle of debt, the behavior and conditions of a typical borrower are considered. For this exercise, the following assumptions hold. First, the amount of the payday loan is \$300, which is the maximum allowed in California. Second, the cost of the payday loan is \$15 per \$100 loaned for a period of 14 days. So, for a \$300 loan, the loan fee amounts to \$45, which is equivalent to an annualized percentage rate (APR) of 391.07 percent.²⁵ Third, since there are no reliable data on the number of times a typical borrower uses a payday lender every year, the economic cost will be calculated for a loan that is extended (or "rolled over") up to 11 times.²⁶

Based on the previous assumptions, Table 1 shows how quickly a typical borrower can get caught in a debt trap. On a typical \$300 payday loan, the borrower pays \$45 in fees and receives \$255 as cash advance the same day the contract is signed at an APR of 391.07 percent. After 14 days (two weeks), if the borrower cannot pay the full \$300 and wants to avoid defaulting on the loan, the extension ("rollover") and a "back-to-back" loan options are basically the same in terms of costs.

Both require an additional \$45 to extend the term of the loan for another two weeks without reducing the amount owed. Moreover, since the loan fee doubled (from \$45 to \$90) as well as the term of the loan (from two to four weeks), the APR remains at 391.07 percent. At week four, if the borrower still cannot pay the full amount of the loan in full, the payday lender will offer the same alternatives. This process can repeat for several weeks or even for months, which strongly suggests the borrower using a short-term loan of this kind borrows residents' own money at

extremely high interest rates. In fact, by week 12 (after the loan has been extended six times), the borrower would have paid \$315 in fees but would still owe the original capital loaned of \$300. On a yearly basis, this borrower would pay \$1,170 in loan fees as the cost of borrowing \$255 in cash.

Table 7: The Cycle of Debt of a Typical Borrower

Week	Rollover	Amount Owed Amount	Fees Paid	Accumulated Fees Paid	Cash Received	APR
0	0	\$300	\$45	\$45	\$255	391.07%
2	1	\$300	\$45	\$90	\$0	391.07%
4	2	\$300	\$45	\$135	\$0	391.07%
6	3	\$300	\$45	\$180	\$0	391.07%
8	4	\$300	\$45	\$225	\$0	391.07%
10	5	\$300	\$45	\$270	\$0	391.07%
12	6	\$300	\$45	\$315	\$0	391.07%
14	7	\$300	\$45	\$360	\$0	391.07%
16	8	\$300	\$45	\$405	\$0	391.07%
18	9	\$300	\$45	\$450	\$0	391.07%
20	10	\$300	\$45	\$495	\$0	391.07%
22	11	\$300	\$45	\$540	\$0	391.07%
24	12	\$300	\$45	\$585	\$0	391.07%

Source: Authors' calculations based on averages reported in several sources (see endnotes).

Note: Since the \$45 fee does not change, the APR remains the same throughout the loan term.

B. The Aggregate Economic Cost for the City of Fresno

Since the exact number of payday lender users is unknown, calculations are made for different scenarios assuming that different percentages of the population use payday lenders. Based on the previous calculations, it is possible to estimate the aggregated payday-loan fees charged to repeat borrowers in the City of Fresno. In 2006, the total population in the city totaled 447,468 residents;²⁷ obviously, not everybody makes use of payday lenders. It is necessary, then, to first estimate the number of borrowers per year and the number of times such borrowers pay for extensions of the loan term (number of “rollovers”).

The only available local data on the number of borrowers comes from a survey conducted in West Fresno in 2003, which found 25 percent of the area residents use payday lenders. It is clearly unrealistic to assume 25 percent of the total population in the City of Fresno use payday loans, since residents of different areas of the city have different income levels or use traditional financial institutions.

While it is reasonable to expect large numbers of payday borrowers in low- and middle- income level areas of the city, obviously, more affluent regions are likely to register lower numbers of borrowers. As previously discussed, since there are no reliable figures regarding the number of times a typical borrower uses a payday lender every year, the calculations are made for customers that rollover debts three, six, nine and 11 times in California, which is the average number reported by the Los Angeles Times.²⁸

Table 4 shows the aggregate payday loan fees by repeat borrowers in the City of Fresno under different scenarios. Estimates show that, depending on the percentage of the population using payday loans, and on the number of rollovers, the total amount in fees ranges from \$8.59 million to \$77.34 million, a range probably too wide to reach any conclusions; thus, a more significant but conservative estimate is considered. Assuming 20 percent of the population uses payday loans and that they roll over their loans 11 times, the annual aggregate cost of payday-loan fees in the City of Fresno amounts to \$51.56 million. This figure is used to calculate the economic cost for the City of Fresno.

Table 8: Aggregate Payday Loan Fees by Repeat Borrowers in the City of Fresno

		Rollovers			
		3	6	9	11
% of the Population	10%	\$8,594,424	\$15,040,242	\$21,486,060	\$25,783,272
	15%	\$12,891,636	\$22,560,363	\$32,229,090	\$38,674,908
	20%	\$17,188,848	\$30,080,484	\$42,972,120	\$51,566,544
	25%	\$21,486,060	\$37,600,605	\$53,715,150	\$64,458,180
	30%	\$25,783,272	\$45,120,726	\$64,458,180	\$77,349,816

Source: Authors’ calculations based on averages reported in several sources (see endnotes).

Note: The figures are computed by multiplying the percentage of the population times the individual loans fees based on the number of rollovers.

C. Economic Cost of Short-Term Loans in the City of Fresno

Large sums of dollars lost to short-term loan fees by City of Fresno residents results in a substantial reduction in the amount of expendable cash, which could benefit the city's economy.

The average payday lender grosses about \$250,000 per year. A study by the FDIC Center for Financial Research found "operating costs lie in the range of advance fees collected and that, after subtracting fixed operating costs and "unusually high rate of default losses, payday loans may not necessarily yield extraordinary profits." Based on the annual reports of publicly traded payday-loan companies, loan losses can average 15 percent or more of loan revenue. Underwriters of payday loans must also deal with residents presenting fraudulent checks as security or making stop payments, the report said.²⁹

The assumption is that, of \$51.56 million in short-term loan fees captured by payday lenders, \$25.78 million is set aside as revenue and taken out of the local economic stream. The remaining \$25.78 million is injected back into the local economy through operating expenditures of payday lenders. Table 5 shows the estimated annual economic cost \$25.78 million produced in the City of Fresno. Estimates show that spending resulting from borrowers could create a total of \$35.40 additional millions in business sales in the city (output), support 251 more full-time jobs and create \$8.90 additional million in labor income paid by city companies, if these borrowers were not paying costly short-term loan fees.

Table 9: Annual Economic Costs of Short-Term Loans in the City of Fresno

Short Term Loan Fees	\$51,566,544
% of Fees Kept by Payday Lenders	50%
Spent Locally	50%
Local Spending Lost	\$25,783,272
Economic Cost:	
Output	\$35,402,222
Employment	251
Labor Income	\$8,907,378

Source: IMPLAN and authors' calculations

The total estimated tax revenue that would be generated for the State of California and its local governments is more than \$2.3 million. IMPLAN, a software program, does not produce separate reports for the state and local government. Due to the complexity of the fiscal structure in California, as well as its changing nature, it is very difficult to estimate how much of this total tax revenue is retained by or returned to cities or counties. Based on state and county local government information from the U.S. Census Bureau, however, it is possible to approximate the percentage of total tax revenue that Fresno County captures from the state's total (2.3 percent). Therefore, the state and local tax revenue calculated by IMPLAN can be broken out into \$53,429 for the city (approximately) and \$2,226,571 for the state.

In terms of the aggregated payday loan fees charged to repeat borrowers in the City of Fresno, estimates in Table 10 show that, depending on the percentage of the population using payday loans as well as on the number of rollovers, the total amount in fees ranges from \$0.79 million to \$7.1 million. Again, this range estimate is probably too wide to reach any conclusions. Thus, a more significant but conservative estimate is considered. Assuming 20 percent of the population

uses payday loans and they rollover loans 11 times, the annual aggregate cost of payday loan fees in the City of Fresno amounts to \$4.74 million, which is significantly lower than the estimated \$51.56 million when the APR is 391.07 percent.

Table 10: Aggregate Payday Loan Fees by Repeat Borrowers in the City of Fresno with 36 percent APR

		Rollovers			
		3	6	9	11
% of the Population	10%	\$790,687	\$1,383,702	\$1,976,718	\$2,372,061
	15%	\$1,186,031	\$2,075,553	\$2,965,076	\$3,558,092
	20%	\$1,581,374	\$2,767,405	\$3,953,435	\$4,744,122
	25%	\$1,976,718	\$3,459,256	\$4,941,794	\$5,930,153
	30%	\$2,372,061	\$4,151,107	\$5,930,153	\$7,116,183

Source: Authors' calculations based on averages reported in several sources (see endnotes).

Note: The figures are computed by multiplying the percentage of the population times the individual loans fees based on the number of rollovers.