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Cashiering payday loans?

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The recent outcry for a ban on payday lenders made me wonder how many of those pointing fingers ever tried to open one of the doors they want to kick down. Have they listened to a customer describe what is on the other side? The tasteful accusation at fancy dinner parties is that they prey on the low-income worker, trapping him into unsavory interest rates. The hosts need to ask the caterer or nanny used that same evening for their opinions.

Up front, I must disclose a bias of my own. I know about preying on the uninformed -- those who have sold me their shares of a publicly traded payday lender. I am a professional money manager. And one of my favorite bets is on an extraordinary streak continuing -- the mismatch of capitalism versus Congress.

Payday lenders are under severe scrutiny with potentially sweeping regulations from Congress to applause from pundits far more quoted than me. I wonder which one did the math on the \$40 his daughter ATM'ed last weekend. More than \$4 billion in ATM fees were paid last year. This "little" fee has not been declining like you may think. Bankrate.com found ATM surcharges have climbed 20 percent in the last two years alone. Why is paying a fee to get your own money less offensive than paying someone to borrow theirs? At least a payday lender is providing a service and capital not available elsewhere. Yet one rate is called usurious, the other is called a convenience fee.

Next time see your banker, offer to bet him on the over-under for NSF fees, toward the bank's profits. Let him set the line and then take the offer. The \$25 Non-Sufficient Funds fee is not often described at the chamber luncheon as a 3 1/4 percent rate calculated on the \$80 check written to your plumber before a deposit hits. Worry not about the plumber, he can easily be assessed late fees on his credit card while he waits to get paid. Why do payday loans on city street corners carry egregious costs but bouncing checks and cards in the suburbs is merely protection against a lack of sufficiency?

In recent criticism of payday lenders, the executive director of a Poverty Law Center said, "They set it up so you have to pay the whole thing off in two weeks, and they know you can't... the worst part is they trap you. They are taking advantage of poor people." What's better, I'd ask the director: much more sophisticated (and less understood) interest-only-loans where your rich neighbors are paying off nothing?

Regulators found 85 percent of payday customers returned to the same store in the same year. Last time I checked, customers return to a business, not a trap.