

Legislators agree on payday loan rate cap

BY SAM HANANEL THE ASSOCIATED PRESS

WASHINGTON — Interest rates on payday loans to military servicemen would be limited under an agreement reached Friday by House and Senate Republicans.

The measure imposing a 36 percent cap on the annual interest rate for payday loans to servicemen or their spouses will be included in the defense authorization bill. The House passed the authorization bill Friday, but it stalled in the Senate.

"We need to enact these new protections for our troops and their families because a growing predatory lending problem has impacted our operational readiness," said Sen. Jim Talent, R-Mo., who pushed the bill in the Senate.

Talent and other lawmakers contend payday lenders target military personnel, offering quick cash advances at high interest rates that trap unsavvy borrowers in a cycle of debt.

Payday lenders offer shortterm loans against borrowers' paychecks and charge fees. Borrowers who cannot repay the loan by the next payday often "roll over" the loan repeatedly.

The average annual percentage rate for payday loans is about 390 percent. As lending fees pile up, borrowers can end up paying an annual percentage rate of 800 percent or more.

Other types of credit extended to military personnel, including credit cards and installment loan products, are also covered under the new interest-rate cap.

Industry officials say payday loans provide financial assistance to soldiers in need and claim military personnel will be forced to seek high-cost loans from unregulated Internet lenders.

"We are extremely disappointed that the conferees have chosen to take away valuable financial choices from service members," said Darrin Andersen, president of Community Financial Services Association of America, which represents more than half of the estimated 22,000 payday industry outlets.

Andersen said military personnel make up only 1.3 percent of revenue across the industry.