The PLPA is Working!

1. The PLPA dramatically cut interest rates on nearly all types of consumer loans in Illinois. 

<table>
<thead>
<tr>
<th>PRODUCT TYPE</th>
<th>AVERAGE APR, PRE-PLPA</th>
<th>MAXIMUM APR, POST-PLPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pawn Loans</td>
<td>168%</td>
<td>240%</td>
</tr>
<tr>
<td>Auto Title Loans</td>
<td>178%</td>
<td>36%</td>
</tr>
<tr>
<td>Installment Payday Loans (IPLs)</td>
<td>228%</td>
<td>36%</td>
</tr>
<tr>
<td>Payday Loans</td>
<td>297%</td>
<td>36%</td>
</tr>
</tbody>
</table>

2. In 2019, consumers paid $607.4 million in interest and fees on payday loans, installment payday loans, auto title loans, and small consumer loans. In 2022, consumers paid $1,279 on these same loans – a savings of more than $600 million (Chart 1).

3. Black, Brown, and lower income borrowers paid a disproportionate share of interest and fees on high-cost loans before the PLPA. Accordingly, Black, Brown and lower income borrowers received a disproportionate share of the savings from the PLPA (Chart 2).

4. Prohibiting predatory payday loans has eliminated racial, ethnic, and economic disparities with respect to payday lending in Illinois.

5. After the PLPA, payday lenders, auto title lenders, and high-cost installment lenders closed while more affordable installment lenders expanded their business in Illinois. Since the PLPA, there are 172 new lender licenses/branches.

6. A for-profit lender and a not-for-profit lender reported that, after the PLPA, they saw an increase in applications. The increased number of applications...
Questions?
Brent E. Adams
Sr. Vice President of
Policy & Communication
Woodstock Institute
773-844-5544 (m)
312-368-0310 x2028 (o)
badams@woodstockinst.org

Illinois’s Predatory Loan Prevention Act: The Impacts of the State’s 36% Rate Cap

A scientific poll found that Illinoisans overwhelmingly support the PLPA rate cap: 86% support, 6% oppose (Chart 3). In the same poll, more than three-quarters of respondents reported that they handled their need for cash after the PLPA without cutting back on essential expenditures.

Comparing a period before the PLPA to periods after the PLPA, bankruptcy filings decreased more in Illinois than in any other state in the region (Chart 4).

KESHA WARREN
CEO, Shade Tree & Woodstock Institute’s 2021 Advocate of the Year

Kesha Warren owns a janitorial and property preservation business in South Holland, Illinois, and an IT business, which provides a wide spectrum of IT services. She also has a full-time job at a hotel, is married, and is the mother of two sons, ages 8 and 9. In December 2019, before the PLPA, she took out a $1,250 auto title loan to pay her contractors on time. At an APR of 197.64%, she owed $4,211.10 in interest and fees on the loan.

“I am absolutely a victim of predatory lending. It was a whoopin’!” says Kesha. “I have no problem with telling it like it is.” Kesha courageously shared her story publicly to build support for the PLPA.

Today, Kesha continues to face a variety of challenges common to entrepreneurs: access to business capital, inflation, and the lingering economic effects of COVID-19. “Black women entrepreneurs often feel like we’re fighting an uphill battle, but I take comfort in knowing that the PLPA protects women like me from predatory auto title loans,” says Kesha.