Examining the Impact of Predatory Lending

on Black Communities in the Mississippi Delta, Experiences, Perceptions, and Location

SmallLoansBigDamage.com

Research funded by the Robert Wood Johnson Foundation

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Table of Contents

Executive Summary & Key Findings

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This report empirically evaluates the extent to which payday lending companies impact Black residents in the Mississippi Delta by investigating attitudes, perceptions, experiences, and the locations of these companies. As some states move to reform and strengthen public policy regulations on payday lending, understanding the firsthand experiences of residents in the Mississippi Delta is essential for meaningful public policy reforms. The findings highlighted in this report are critical to reducing predatory practices, and creating more equitable economic policies that benefit all residents of Mississippi.

Key Findings in this study show:

- **Race and Payday Lending:**
    - Race is a key determinant in the likelihood of Black respondents taking out payday loans. Regardless of marital status, employment status, or family size, Black respondents are significantly more likely to engage in payday lending than White respondents. White Men have a predicted probability of taking out a payday loan of 29% compared to Black men have a significantly higher predicted probability of 50%. White women have a predicted probability of 29% compared to Black women have the highest predicted probability among the groups, at 63%.

- **Attitudes towards Payday Lending**
    - A majority of both Black and White respondents in Mississippi believe that the state should outlaw payday lending.
    - While most Black and White respondents support stricter

regulations on payday lending, many still believe these loans are necessary for people with limited financial options.
- A majority of respondents believe that payday lending can lead to a cycle of debt, and that the fees associated with these loans are unfair.
- Most respondents indicated that they would not recommend taking out a payday loan.

- **Location of Payday Lending Companies**
  - While our findings do not convincingly indicate that payday loans are set up disproportionately in Black communities in the Mississippi delta, the findings do show that the Mississippi Delta has categorically lower access to both Banks and Alternative Financial Services than other parts of the states.

    - Our spatial analysis indicates, banks and AFS are located very close together in the Mississippi Delta counties, and therefore, inequalities in access and usage are driven by what is happening inside the financial services rather than through the spatialized inequities.

- **Focus Groups**
  - The findings from the focus groups confirmed several patterns observed in the survey data:
    - Cycle of Debt and Addiction
      - Many participants indicated that payday lending often leads to a cycle of debt. Some even described payday loans as potentially addictive, resulting in repeated borrowing and long-term financial instability.

- High Interest Rates and Fees
  - Participants expressed strong concerns about the high interest rates and associated fees, which they felt were unfair and predatory.

- Short-Term Relief vs. Long-Term Consequences
  - While acknowledging the short-term benefits, participants emphasized the importance of weighing those against the long-term consequences. Some stated that it's often better to decline the offer of quick cash to avoid deeper financial problems.

- Convenience and Immediate Support
  - Despite concerns, payday loans were praised for their quick and easy access. The application process—whether online or in-store—was described as simple and fast, with minimal paperwork and rapid approval. Many borrowers expressed appreciation for the immediate relief during financial emergencies.

Introduction

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A considerable amount of literature has been dedicated to Mississippi's tumultuous resistance to the expansion of social and political rights. The current political climate in the United States underscores the stark divisions in our society, often linked to systemic racism and economic exploitation. The history of economic exploitation in Mississippi has taken various forms. Established studies reveal that Mississippi grapples with a wide array of economic disparities, and when considering race, these disparities are exacerbated. According to U.S. Census data, Mississippi ranks last in per capita income, educational attainment, infant mortality rates, healthcare access, and numerous other issues. Furthermore, Mississippi faces limited opportunities for economic growth and mobility. Despite these challenges, African Americans in the Mississippi Delta have demonstrated a remarkable degree of resilience in terms of creating businesses for economic opportunities. Due to restricted employment options, individuals may find themselves in need of cash. Traditional banks often require a specific credit score, making payday lending an attractive alternative. Payday lending enables individuals to secure a small loan at a high interest rate. The process typically involves a person walking into a store, providing income verification, confirming nonmilitary status, and filling out an application to obtain a loan ranging from $150 to $500. While these loans offer short-term financial relief for bills and emergencies, research indicates that they can trap borrowers in a cycle of debt, worsening their economic situation. Additionally, payday lending may exhibit racial disparities, with companies strategically targeting Black and brown communities geographically. Many of these companies establish themselves in the heart of Black communities without contributing to community development.

Payday lending enables individuals to secure a small loan at a high interest rate.

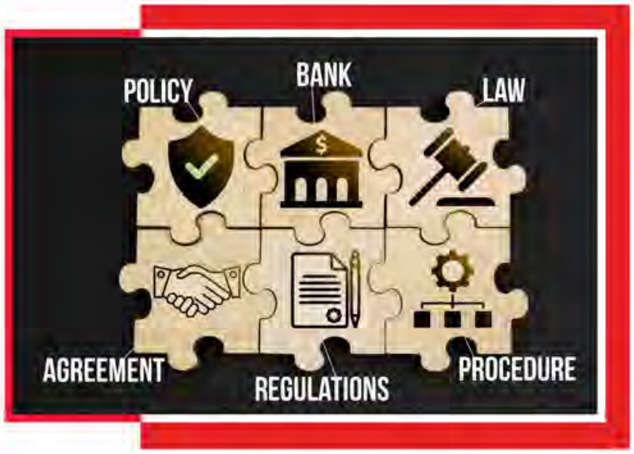
Nevertheless, the economic disparity between Black and white populations in the Delta constitutes contemporary economic apartheid. One way this wealth gap is perpetuated is through payday lending. Since the 1990s, payday lending has significantly expanded in Mississippi. Despite increasing access to credit for low-income Black families, economic data suggest that these companies have not improved economic conditions in the Mississippi Delta (Bourke et al., 2012). This is primarily because payday lending is often predatory, designed to extract more value through interest payments than the initial loan amount. Payday lending is a symptom of deeper economic inequality issues, leading many low-income borrowers to accumulate substantial debt. Previous research on this topic has focused on major cities (Burkey and Simmons, 2004), neglecting the causes and effects of payday lenders disproportionately targeting low-income majority Black communities in rural areas, such as the Mississippi Delta (Wheatley, 2010). In this report, we investigate symptoms of a larger history of racialized exclusion from financial wealthand aim to provide a policy prescription to address this specific issue. Prior to emancipation, Mississippi housed the largest number of enslaved people in North America (Austin, 2012). Consequently, the legacy of slavery continues to profoundly influence contemporary Mississippi. Questions concerning racialized access to credit encompass complex, multifaceted issues that intersect with the systemic effects of racialized incarceration rates, racialized poverty, exposure to environmental risks, and racialized disparities across various aspects of the social determinants of health.

Racial disparities in access to credit and discriminatory policies related to credit extension, encompassing home loans and

business credit, have been instrumental in shaping the racial wealth gap (Lipsitz et al., 2010). Prior to the Civil Rights Act of 1964, Black families and businesses routinely faced systematic denials of mortgages due to policies like 'redlining' and racially biased insurance mapping. This occurred during the United States' most significant transfer of familial wealth, the postWorld War II period (Taub et al., 2017). Black farmers also confronted systematic denials of farm loans from the United States Department of Agriculture, a practice that persisted until at least 1999 (Terry, 2021). This racialized denial of credit resulted in a substantial loss of Black wealth. Sylvia Stewart's research reveals that between 1920 and 1999, 98.1% of Black farmers left their profession, and 85% of the land owned by Black farmers was lost. During the same period, White farmers collectively saw a slight increase in the number of acres owned, with their numbers decreasing by approximately 66% (Stewart, 2022).

Due to the cumulative historical effects and ongoing systemic implications of racialized disparities in access to and the cost of credit, Black borrowers have historically and continue to rely on nontraditional lending institutions for daily financial needs. These institutions, such as title lenders and so-called 'payday' lenders, regularly offer credit at significantly higher interest rates and with more substantial fees compared to traditional banks. However, there has been limited research documenting the full extent of the relationship between payday and non-traditional lenders and the racial wealth gap. Unlike many states across the United States, Mississippi actively legalizes and regulates payday lenders, making it easier for them to operate, especially in low-income communities. This policy landscape presents an opportunity to examine how the infrastructure surrounding payday lending exacerbates or perpetuates the racial wealth gap. A comparison with neighboring states, such as Arkansas and Alabama, can provide insights into the intricate relationship between policies regulating access to capital, which disproportionately affects both Black borrowers and the racial wealth gap.

In this study, we aim to investigate the extent to which the Mississippi Title Pledge Act, Mississippi Check Cashers Act, and Mississippi Credit Availability Act enable payday lending companies to engage in predatory practices that disproportionately affect Black residents in the Mississippi Delta. We will compare this policy framework with that of Arkansas and Alabama, offering recommendations for structuring policies that promote racial wealth equity. This research contributes to the academic literature on systemic racism, antiracism, and the broader field of social science in finance. Our objective is to comprehend how Mississippi's current economic policy framework perpetuates systemic racialized inequities rooted in the eras of slavery and sharecropping.



The Mississippi Title Pledge Act outlines requirements and regulations governing title loans, while the Mississippi Check Cashers Act provides clear directives on handling checks and direct deposits by licensed retailers. The Mississippi Credit Availability Act explains the binding contract to borrow money for short-term use. This project will compare Mississippi's policies with those of neighboring states, such as the Arkansas Check Cashing Law (2019), which seeks to fully ban payday lending and check cashing loans, and the Alabama Small Loans Act (2017), permitting payday lending up to $500 per loan.

In this report, we empirically assess the attitudes of Black Mississippians towards payday lending and provide policy recommendations for payday lending practices in the Mississippi Delta. The report unfolds as follows:

1. We review how regions like Mississippi have long endured economic exploitation, systemic racism, and economic inequality, contributing to concentrated poverty and various disparities.
2. We discuss how academic scholarship has overlooked the study of payday lending in the Mississippi Delta, instead focusing on major metropolitan areas like New York.
3. We analyze the major findings of the academic literature to theorize how payday lending practices unfold in the Mississippi Delta.
4. We present our analysis of the Mississippi Title Pledge Act and the Check Cashing Act, along with policy recommendations for reform.
5. We outline our methodological approach to analyzing survey data.
6. We present the findings of our empirical investigation and chart trends among Mississippians regarding payday lending.
7. We conclude our report with a set of recommendations and a call for understanding the stories of borrowers and issues in the Mississippi Delta.

Mississippi Delta and the Racialized Politics of Poverty

The Mississippi Delta comprises 18 counties situated between the Yazoo and Mississippi Rivers. These counties are as follows: Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Warren, Washington, and Yazoo. This region is predominantly inhabited by Mississippi's Black population and closely aligns with Congressional District 2, represented by Bennie G. Thompson. Historical accounts indicate that the Mississippi Delta had one of the highest populations of enslaved Africans. Figure X provides a visual representation of the Mississippi Delta on a map. According to census data, Mississippi's population is composed of 37.8% Black, 58.8% White, 0.6% Native American, and 6% Asian residents. The state's overall unemployment rate stands at 3.3%, with Mississippi leading the nation with a 19% poverty rate. These disparities are even more pronounced when examining them through a racial lens. Black Mississippians face a poverty rate of 30.8%, with a 14% unemployment rate. Furthermore, there are significant discrepancies in median household income. White families in Mississippi have a median income of $65,012, while Black families earn $36,792. Even when considering educational attainment and wealth, substantial gaps persist.

Scholars have long sought to understand the root causes of the disparities that persist in our society, and this issue has been a subject of extensive debate. What is evident is that both the policies of the U.S. government and state-level policies have contributed to the creation and perpetuation of systems that enable states like Mississippi to maintain structures of racial and economic segregation. The entire system of slavery in the United States was founded on economic exploitation, a concept that predates the establishment of chattel slavery. Even though indigenous servants were expected to work and earn money, many states did not allow them to save their earnings; instead, they were compelled to spend them. This practice is discussed in detail by Michell Deardoff (please verify the citation).

When enslaved Africans were finally emancipated, they faced limited options, and many were compelled to become part of the sharecropping system. Sharecropping was a practice in which white plantation owners in the South would permit Black workers to reside on the plantation in exchange for labor, offering meager compensation in return. Some workers in Mississippi reported earning as little as $0.50 a week, while others earned as little as 10 cents. Much of the labor performed by these workers closely resembled the tasks they had undertaken during slavery.

Due to the historical ban on enslaved people learning to read or write, many lacked the formal skills needed to secure better opportunities. Consequently, numerous individuals remained on plantations, and their children were born into a system of perpetual plantation labor. In her work "Plantation Politics," Sharon Wright Austin provides a comprehensive account of the politics surrounding the plantation system in Mississippi, shedding light on how this system consigned multiple generations, including future generations of Black Mississippians, to a life of poverty. When African Americans broke barriers in areas such as desegregation, voting, and economic opportunity, the dynamics of the political landscape underwent a transformation. Political actors began implementing policies that made discrimination claims more challenging to substantiate, voting more arduous, redrawing housing districts, establishing complex credit rules, and endorsing other discriminatory practices. Even when Black Mississippians met the requisite credit criteria, scholarly accounts suggest that Black mortgage lenders still encountered difficulties in securing favorable loans. This underscores the enduring legacies of slavery and a system of government and state-level practices that never fully embraced the freedoms of Black Americans. In Mississippi, African Americans continue to grapple with several systemic barriers, which help explain the statistics mentioned above.

Trends and Directions in Research on Payday Lending

Mississippi's historical legacy of slavery, mistreatment of its Black population, and exploitation have significantly contributed to the current conditions faced by African Americans in this region. Consequently, some African Americans find themselves with limited economic opportunities, facing deprivation, and residing in dire financial circumstances. These hardships often lead individuals to express financial hardships, rendering them vulnerable targets for payday lending practices. It is evident that payday lending entities strategically position their businesses in close proximity to African American communities with the sole purpose of targeting this specific demographic. The research on payday lending is extensive; however, despite the vast academic literature available, several studies have overlooked the experiences of Black communities in the Mississippi Delta. In the following section, we will delineate the major findings and the trajectory of academic research on this topic. Additionally, we will explore the patterns and trends that intersect with race.

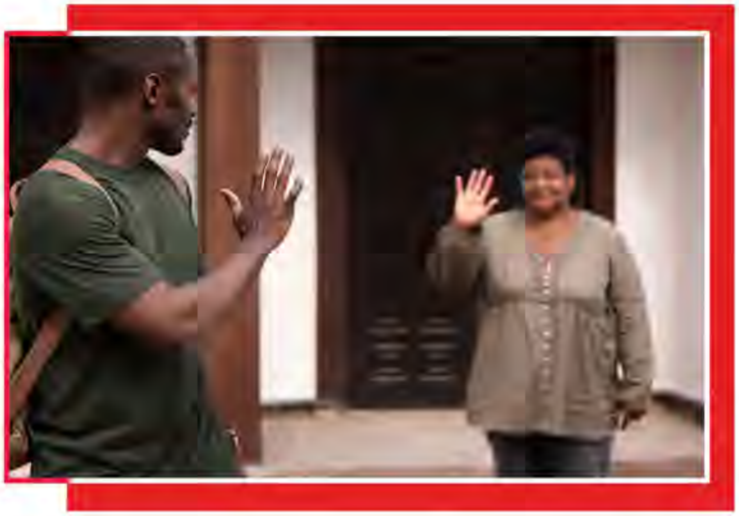
Racialized Predatory Lending

Predatory lending, in particular short term, high interest lending, known as 'payday lending,' does not only affect Black communities in the Delta, but across the United States. A wide body of scholarship has found payday lending to be a racialized phenomenon, meaning race is a key factor in determining who will use such loans and who will be adversely affected by predatory loans. As Raphael CharronChennier documents, "Black households in particular are more than twice as likely to use payday lending as white households" (CharronChennier 2020, 1), a result of the legacy of segregation in the financial sectors. Black communities were formally excluded from traditional access to credit for much of American history through the 1970s (McGhee 2022; Rothstein 2017). Jacob Faber has documented how the payday lending institutions were created in the direct legacy of legal racial segregation, filling a gap in financial services that had been legally denied to Black residents and continued to underserved Black populations into the present (Faber 2019). Thus, payday lending offers a 'predatory inclusion' into finance, one built on the ramifications of past racist lending policies for which there was never redress, and continued racialized access to consumer credit (CharronChenier 2020).

At the same time, sociologists have documented that Black households in North America disproportionately lack basic needs, when compared to white households of similar income brackets, and that payday loans are a mechanism through which many Black households close a racialized consumption gap (CharronChenier 2018). As social scientists have documented, payday loans are a racialized form of finance, developed and deployed in the wake of Black communities long exclusions from traditional forms of credit. As such, they are often also a lifeline, as the only form of access to credit in predominantly Black communities.

Our study contributes to this growing body of work on the racial dynamics of predatory lending, focusing on how the geographic and racial makeup of neighborhoods relates to payday lending, and how people in these areas relate to such loans. Mixing qualitative and quantitative data, adds nuance to analyses of how and why Black communities are disproportionately affected by predatory loans.

Racialized Geographies of Payday Lending



This study focuses on geographic aspects of predatory lending, adding a new analysis to the open question of whether payday loans are disproportionately located in predominantly Black communities. Social scientists have long documented payday lending as not only a product of racist legacies of exclusion from traditional credit, but also a geographical phenomenon, disproportionately present in low-income geographies. Yet, the literature on the racialized geography of payday lending is still unsettled. For instance, a study conducted in California found that payday lending establishments are more prevalent nearer to predominantly Black and Latino communities, when compared to other racial groups (Li et al 2009). Parker Wheatley (2010), however, found that in the Mississippi Delta, while banks were disproportionately absent from predominantly Black geographies, race was not a statistically significant factor in determining the location of payday loan establishments. In contrast, in Colorado's front range, Gallmeyer and Roberts (2009) found race to be a statistically significant factor in spatial regression analysis, yet only one of many factors including income, military service, foreign born, and ethnicity.

This divided literature points to the need for further study of the question of race and payday lending. Furthermore, these studies indicate that racial geographies of finance are significantly different based on place. Payday lending in California or Colorado may be correlated with race whereas it may not in Mississippi. These differences in spatial dynamics and the ongoing debate about race and space in payday lending drives this research team to use spatial analysis to examine these dynamics in the Mississippi Delta.

Payday Lending and Access to Services, Information, and Data

While the relationship between payday lending location and race continues to be debated, it is clear that Black communities are disproportionately and predominantly the clients of payday loan establishments across the United States (Fredline et al 2023). Various studies have examined why this is the case. Some research points to access to information as a factor. Posey has detailed inequalities based on race and income in access to information about credit and loans (Posey 2023). Others have documented advertising for payday loans that specifically target Black communities, including online and physical advertisements for payday loans disproportionately targeting predominantly Black communities and using Black people in advertisements (Hawkins and Penner 2020).

Not only are payday loans a way to address the systemic legacies of segregated banking and credit and continued lack of traditional credit institutions in Black communities (Wheatley 2010), payday lenders specifically market to Black consumers. Racialized advertising and a lack of access to information about lending compound the structural factors that make payday loans a convenient and important source of credit in Black communities, particularly in rural areas such as the Mississippi Delta that are already underserved by basic services, such as banking. Rather than stigmatizing victims of predatory lending, this study builds on those findings to contextualize the presence of these loans in Black communities, and consider avenues to equitable regulation.

Health and Wellness Impacts

This study also considers the impacts that such loans have on those that take them on, building on a growing literature about the effects of predatory lending in minority communities. While payday loans are an important part of accessing capital in Black communities, these loans come with significant financial and health impacts. Fredline et al (2023) document significant mental and physical health impacts in individuals that have taken out payday loans, notably for Black consumers that have used them to pay for medical costs. These severe health impacts include statistically significant increases in the risks of suicide (Fredline et al 2023). Taking out short-term loans such as payday loans is documented to increase the risk of anxiety, inflammation and poor health outcomes (Sweet et al 2018). More broadly, payday loans are well documented as a cause of poor credit and overall create negative financial health. Individuals that have taken out payday loans often struggle to purchase homes, get mortgages, car loans, and improve their credit (Bhutta 2014).

Payday lending brings significant financial and health risks. Short term lending may be an important part of coping with uneven financial services, but it comes at serious cost to the users. The risks are also compounding. Once individuals take on short term debt, it becomes more difficult to access traditional and less predatory forms of credit.

Racialized Wealth Gap, Black Geographies, and Uneven Regional Development

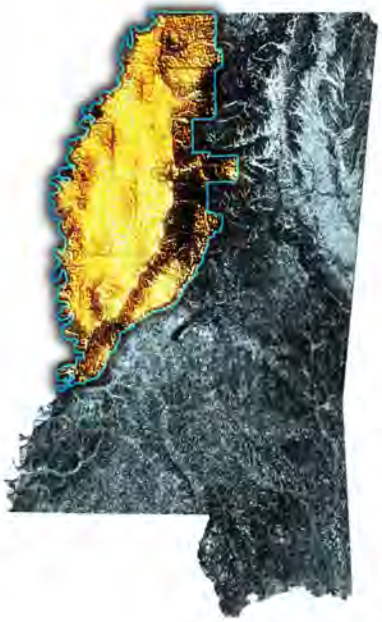
More broadly, payday lending fits within an understanding of uneven development and Black geographies. This study also builds upon analysis in Black Geographies, Black Studies and Black political economy to consider the ways that predatory lending is part of what scholars term 'racial capitalism' (Robinson 2020; Taiwo 2022). We add to these analyses with a regional approach, looking at racialized wealth inequality in the Mississippi Delta as historically and geographically produced.

Geographers have long studied the ways that inequalities are spatially distributed - some regions have more wealth, services, amenities, compared with others, often correlating with racial and ethnic demographics. Geographer Clyde Woods documented how poverty and underdevelopment in the Mississippi Delta was not because of being left behind or the product of poor planning, but racialized political struggles over development. Woods describes how white planter elites that had held power through slavery continued to control land and political systems in the Mississippi Delta (Woods 2017; 2017). Woods and historian James C Cobb, among many other scholars, have noted that racial inequality in the Mississippi Delta is some of the most stark in the United States, a direct legacy of extensive chattel slavery used in cotton production in the region before 1865 (Cobb 1994; Woods 2017).

> "...some regions have more wealth, services, amenities, compared with others, often correlating with racial and ethnic demographics."

Extensive literature has documented the accumulated social and economic effects of enslavement upon Black communities in the Americas. The failed promise of equal citizenship in the wake of the abolition of slavery in the US South in 1865, what sociologist W.E.B DuBoise termed the unfilled promise of an 'abolition democracy' (DuBois 2017), left Black communities as legal second-class citizens until the 1960s. The economic impacts of these legal forms of exploitation and exclusion have never been addressed or repaired in United States society, leaving Black communities in the wake of enslavement, legal segregation, and racialized exclusion from institutions that spread economic prosperity in the United States (Austin 2010; Sharpe 2016). This socioeconomic legacy contributed to what scholars have termed a 'racial wealth gap;' the racial difference in wealth-in-assets between individuals of the same income bracket (Aladangady and Ford 2021). Black families, as Heather McGhee notes, have less assets and wealth than their white neighbors making similar incomes, in large part because those families were less likely to have inherited assets from their families (McGhee 2022). The racial wealth gap creates a significant economic disadvantage for Black families, as they have less assets with which to use to build credit, to take out loans, and to use in financial emergencies. As the sizable literature above illustrates, predatory lending practices are one effect of the unfulfilled promise of abolition democracy and the long legacy of racialized inequality in the United States.

The Mississippi Delta is a key geographic case from which to consider the impacts and implications of predatory lending and the racial wealth gap, as perhaps the most stark example of racially uneven rural poverty in the United States (Austin 2012). Rural poverty places individuals at particular risks of lacking access to credit, as traditional financial institutions are frequently few and located far away from many potential customers (USDA 2020). This report uses the Mississippi Delta as a location from which to place predatory lending within the long, and as yet unaddressed, legacy of enslavement in the United States. The authors here draw on the work of historians, sociologists and Black geographers to contextualize predatory lending within historical and political economic context. Predatory lending is not a phenomenon that occurs within a vacuum, but one of many examples of the ways that racialized inequality is reproduced in rural America today.



Micro-Credit and Poverty

The relevance of this study, however, is not limited to racial inequality in the United States. Small amount, short-term, and high interest loans such as those studied here are an example of what is called micro-credit or micro-loans across the Global South. A sizable body of literature in development studies has examined whether micro-credit (small amount but high volume) loans can create economic development for chronically poor areas (e.g. Snow and Buss 2001). The results of these studies are mixed.

A wide number of scholars have asked the question of whether micro-credit can stimulate economic development (Ahlin and Jiang 2009). Much of these studies find the answer to be that it depends on the program. Development economists argue that micro-credit can support economic development if such credit enables borrowers to save (Ahlin 2009). Others have noted in studies in South Asia, such as of the Grameen Bank, that micro-loans have perpetuated 'debt cycles,' particularly detrimental for rural households that end up using debt to pay back debt, deepening conditions of poverty (Chavan and Ramakumar 2001). Current literature has grappled with the implications of recent trends where micro-credit operations sell debts to larger financial firms as assets, what scholars have diagnosed as financialization to the detriment of small-scale borrowers (Aitken 2013). The results of these studies continue to be inconclusive. Whether micro-credit can produce development outcomes appears to largely be context specific. Within what regulatory and policy framework does the lending go on? What level of interest rates and exploitation of borrowers are the creditors able to put in place, and what other kinds of support for development and poverty alleviation are present? These are precisely the kinds of questions we study here, looking at the policy landscape within which predatory lending has occurred in the Mississippi Delta. We turn to those policy questions now.

Policy Change Efficacy, Payday Lending, and the Racial Wealth Gap

As the extensive literature on microlending demonstrates, people living in areas facing underdevelopment like the Mississippi Delta require access to credit to operate small businesses, finance transportation, housing, and basic life services, and to build stronger economies. Yet, it is clear that much of the small-scale credit in the Delta remains predatory. Payday lenders and similar institutions provide small loans with high interest rates with terms that are very preferential to the lender. The question, therefore, is what kind of policies could both stimulate access to credit for people in the Delta, while also ensuring the safety and well-being of borrowers.

Some scholars have suggested that effective protections for borrowers in Mississippi include policies that limit the amount of a loan and the interest rate that can be placed upon it (Knize 2008). Others have noted that financial regulators can ban or limit the ability of lenders to knowingly make subprime loans, or loans they are aware that the lender is likely to fail to pay back in full (Agarwal et al 2014), what some have termed 'ability to pay' regulatory standards (Berman 2023). Analysts in Arizona have proposed ordinances that predatory loans come with warning labels, much like other potentially harmful consumer products, to increase knowledge about the dangers of financial products such as payday loans (Peterson 2012).

A number of states have enacted successful policy reforms. Pew Charitable Trust studied states that had enacted comprehensive payday lending reforms, finding that four states, Colorado, Hawaii, Virginia, and Ohio, had created reforms that successfully lowered the cost of loans on consumers while allowing lenders to remain profitable. In these states, "lenders profitably offer small loans that are repaid in affordable installments and cost four times less than typical single-payment payday loans that borrowers must repay in full on their next payday" (Pew Charitable Trusts 2022). Numerous other policy analysts and researchers have examined the existing policy landscape, which we review in greater detail below. Few studies, thus far, have examined the question of payday lending regulation in the context of the racial wealth gap.

This study builds on research and policy analysis on predatory lending, with a focus on payday and small-scale loans, as it relates to the racial inequalities in wealth and income. While various policy solutions, such as warning labels and extended repayment time-scales, may have been proven to reduce costs for consumers, here we ask how such policy solutions relate to racial wealth inequalities. The Mississippi Delta provides a prime case to study these questions, as racialized inequality is acute in the area. The study contributes to the broad literature on predatory lending through an analysis of drivers and a set of recommendations for potential policy changes.

Determinants of Payday Lending in Mississippi

Research funded by the Robert Wood Johnson Foundation

Research Questions:

1. What are the social and political determinants of taking out a payday loan in the Mississippi Delta?
2. To what extent does race influence a respondent's likelihood of taking out a payday loan in the Mississippi Delta.

Hypothesis

Given the persistence to poverty and Mississippi's historical exclusion of African Americans we expect that Black Mississippians are more likely to engage in payday lending in Mississippi than whites.

Data

To evaluate the research question, we created a survey instrument to capture behaviors and perceptions of payday lending in Mississippi. The survey asked respondents several questions that captured demographic, social, economic, political information while at the same time asking respondents about their attitudes and perceptions about payday lending.. The survey was fielded by yougov which yielded two samples The first sampled included respondents specifically from the Mississippi Delta, which includes the 18 counties between the Mississippi and Yazoo Rivers. These counties include: Bolivar, Carroll, Coahoma, Desoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Warren, Washington and Yazoo. The sample from the Mississippi Delta yielded an N=419. The second sample is a general Mississippi sample and interviewed 166 respondents from Mississippi's general population. Sample One: General Population Mississippi residents (Gen Pop) YouGov interviewed 166 respondents who were then matched down to a sample of 150 to produce the final Gen Pop dataset. The respondents were matched to a sampling frame on gender, age, race, and education. The sampling frame is subset of a politically representative "modeled frame" of US adults, based upon the American Community Survey (ACS) public use microdata file, public voter file records, the 2020 Current Population Survey (CPS) Voting and Registration supplements, the 2020 National Election Pool (NEP) exit poll, and the 2020 CES surveys, including demographics and 2020 presidential vote (See code book).

Sample Two: Mississippi Delta residents (Delta)YouGov separately interviewed 419 Mississippi Delta respondents who were then matched down to 400 to a separate sampling frame on gender, age, race, education to create the final Delta dataset. The sampling frame was a Mississippi Delta subset of the frame described previously based on zip codes (See code book).

The matched cases for the Delta dataset were weighted to the sampling frame using propensity scores. The matched cases and the frame were combined and a logistic regression was estimated for inclusion in the frame. The propensity score function included age, gender, race/ethnicity, years of education, region and 2020 presidential vote choice. The propensity scores were grouped into deciles of the estimated propensity score in the frame and post-stratified according to these deciles.

The Delta weights were then poststratified on 2020 presidential vote choice as well as a fourway stratification of gender, age (4categories), race (2categories), and education (4categories), to produce the final Delta weight. The Gen Pop weights were weighted using raking (iterative proportional fitting) on gender, age (4categories), race (2categories), and education (2categories), to produce the final Gen Pop weight (See codebook).

Dependent Variable

We are interested in the determinants of the decision to engage in payday lending. This dependent variable is captured by the survey question that asks if a respondent has "Taken out a payday loan." Respondents who answered yes to this question are coded 1 and respondents who answered no are coded 0.

Independent and Control Variables

The primary independent variable of interest is race because we are interested in investigating the contours of race in a respondent's propensity for engaging in payday lending. We also control for the level of educational attainment, employment status, marital status, family income, whether or not the respondent has children under the age of 18, ideology, and party identification. To measure these variables, we rely on respondents' answers to the survey items. Responses are recoded to allow for an indepth empirical investigation.

Respondents were asked, "Please indicate your level of educational attainment." The variable that measures the level of education ranges on a scale from 1 to 6. Respondents who indicate that they did not complete high school are coded 1; respondents who indicated that they graduated from high school are coded 2; respondents who indicated they completed some college are coded 3; respondents who completed at least two years of college are coded 4; respondents who completed four years of college are coded 5; and respondents who have postgraduate education are coded 6.

The variable that measures marital status ranges from 1 to 6. Respondents who are married are coded 1; respondents who are separated are coded 2; respondents who are divorced are coded 3; respondents who are widowed are coded 4; respondents who never married are coded 5; and respondents who are in a domestic/civil partnership are coded 6. The variables that measure employment status are coded as follows: 1 for fulltime employment, 2 for parttime, 3 for temporarily laid off, 4 for unemployed, 5 for retired, 6 for disabled, 7 for homemakers, 8 for students, and 9 for others. We measure family income on a scale from 1 to 16, with higher numbers indicating higher family incomes. For example, a respondent is coded as 1 if their income is less than $10,000, 2 if their family income is $10,000 - $19,999, 3 if their family income is $20,000 - $29,999, 4 if it is $30,000 - $39,999, 5 if it is $40,000 - $49,999, 6 if it is $50,000 - $59,999, 7 if it is $60,000 - $69,999, 8 if it is $70,000 - $79,999, 9 if it is $80,000 - $99,999, 10 if it is $100,000 - $119,999, 11 if it is $120,000 - $149,999, 12 if it is $150,000 - $199,999, 13 if it is $200,000 - $249,999, 14 if it is $250,000 - $349,999, 15 if it is $350,000 - $499,999, 16 if it is $500,000 or more, and 97 if they prefer not to say.

The variable that captures if a respondent has children under the age of 18 is recorded so that 1 indicates yes and 2 indicates no. Party identification is measured by asking respondents to indicate if they identify with the Democratic, Republican, independent, other, or are not sure. This variable is recorded so that respondents who identify with the Democratic party are coded 1, Republicans are coded 2, independents are coded 3, others are coded 4, and not sure is coded 5. To measure a respondent's political ideology, we use the traditional 6point scale where 1 is very liberal, 2 is liberal, 3 is moderate, 4 is conservative, 5 is very conservative, and 6 is not sure.

Investigating Racial Disparities in Payday Lending in Mississippi

Summary of Demographic and Economic Characteristics of the Sample

Before getting into the inferential statistics, let's unpack patterns and trends found in the descriptive statistics. Tables 19, displays the frequency distributions of the variables of interests. We are primarily concerned with investigating racial disparities in payday lending in Mississippi. To take a deeper look into these patterns, the survey yielded a sample that contained 319 White respondents and 207 Black respondents for a total of 526 respondents. For the purposes of this analysis, we restricted our focus to only Black and White respondents (39.4% and 60.6% of the restricted sample) (see Table 1). Among these, 214 (40.7%) identified as male, while 312 (59.3%) identified as female. In terms of marital status, the majority of respondents were married (39.2%), followed by those who had never married (30.0%). Smaller proportions of the sample were divorced (14.3%), widowed (7.22%), in a domestic or civil partnership (4.75%), or separated (4.56%).

Race White 60.6% (319)	
Black 39.4% (207)	

Gender Male 40.7% (214)	
Female 59.3% (312)	

Employment Status
Employed Full-time 35.6% (187)
Employed Part-time 11.2% (59)
Retired 20.7% (109)
Unemployed 11.6% (61)
Permanently disabled 10.3% (54)
Homemakers 5.7% (30)
Students 2.1% (11)
Temporarily laid off .8% (4)
Other 2.1% (11)

Marital Status
Married 39.2% (206)
Never Married 30% (158)
Divorced 14.3% (75)
Other (widowed, domestic 16.5% (87) of civil partnership, separated

Family income	
Less than $10,000	10.6% (56)
$10,000 - $19,999	11.4% (60)
$20,000 - $29,999	15.4% (81)
$30,000 - $39,999	9.7% (51)
$40,000 - $49,999	10.3% (54)
$50,000 - $59,999	8.2% (43)
$60,000 - $69,999	5.3% (28)
$70,000 - $79,999	4.8% (25)

Family income	
$80,000 - $99,999	5.7% (30)
$100,000 - $119,999	3.4% (18)
$120,000 - $149,999	3.6% (19)
$150,000 - $199,999	2.5% (13)
$200,000 - $249,999	1.7% (9)
$250,000 - $349,999	.4%. (2)
$500,000 or more	.2% (1)
Prefer not to say	6.8%. (36)

Children under 18 in household 27% (142)
No Children under 18 in house-hold 73% (384)

Education
No High school 7% (37)
High school graduate 28.7% (151)
Some college 24.7% (130)
2year degree 12.9% (68)
4year degree 16.3% (86)
PostGraduate 10.3% (54)

Payday Loan	
Yes	37.1%
No	62.9%

Table 1 also displays the frequency distributions by employment status. Regarding employment status, 35.6% of respondents were employed full-time, while 20.7% were retired. Other employment statuses included part-time workers (11.2%), unemployed individuals (11.6%), permanently disabled individuals (10.3%), homemakers (5.7%), students (2.1%), and those temporarily laid off (0.8%). An additional 2.1% reported other forms of employment status. Educational attainment varied across the sample, with 28.7% of respondents being high school graduates, 24.7% having some college education, 16.3% holding a 4-year degree, and 12.9% having a 2-year degree. A smaller proportion had completed postgraduate education (10.3%), while 7.0% did not finish high school.

The frequency distribution of the number of children under 18 living in a home with respondents shows the presence of children under 18 in the household was another key demographic factor, with 27.0% of respondents reporting children under 18, while 73.0% reported no children in this age group. Family income levels among respondents were diverse. The largest income bracket was $20,000 to $29,999 (15.4%), followed by those earning less than $10,000 (10.7%), and those earning $10,000 to $19,999 (11.4%). Higher income brackets were represented in smaller proportions, with only 0.2% of respondents earning $500,000 or more. Additionally, 6.8% preferred not to disclose their income. Regarding payday loan usage, 37.1% of respondents reported having taken out a payday loan, while 62.9% reported not having done so. These demographic and economic characteristics provide a comprehensive overview of the sample, highlighting the diversity within the population and laying the groundwork for a deeper analysis of racial disparities in payday lending practices in Mississippi

Model Specification

Because of the dichotomous nature of our dependent variable, we rely on a logistic regression model which allows us to estimate the probability of a respondent taking out a payday loan based on the independent variables of interest.

logit(P(Y Taking Out Payday Loan=1))=β0+β1Education + β2FamilyIncome+ β3Marital Status + β4Employment Status + β5Children Under 18 + β6Party ID + β7Ideology + β8Race

Where P(Y=1) P(Y=1) is the probability of Taking out a Payday Loan

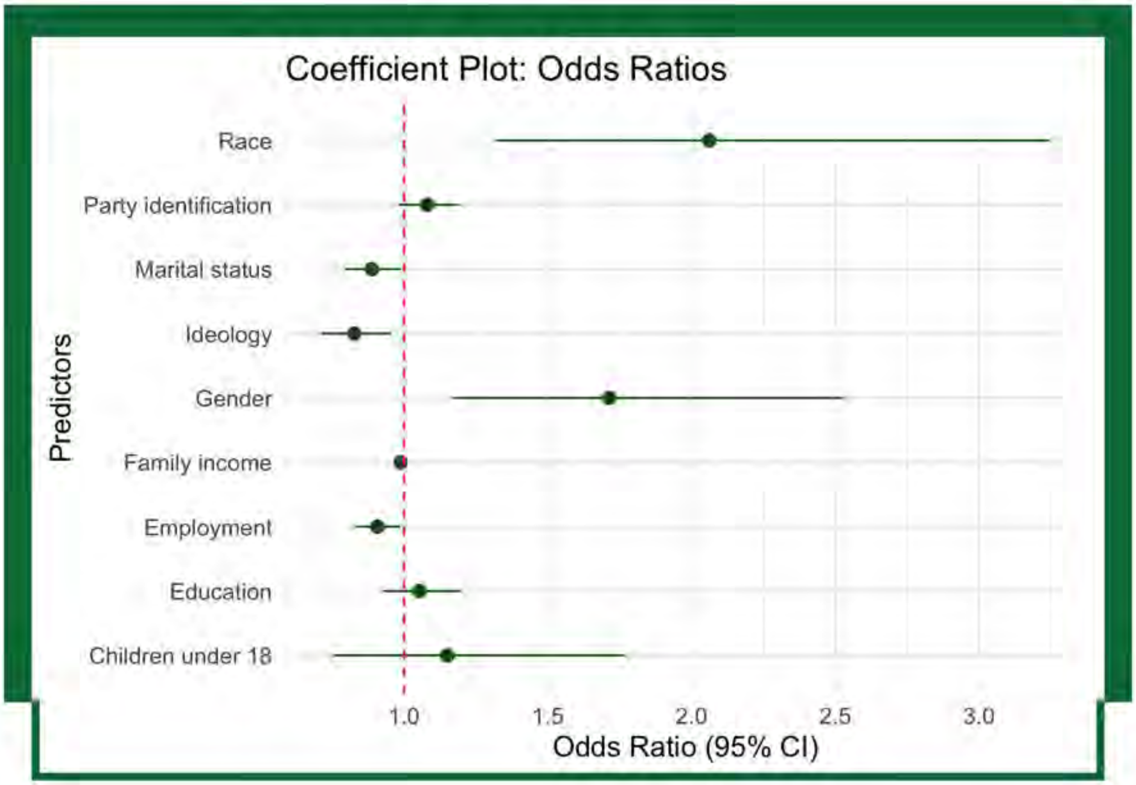
To ascertain the goodness of fit of the logistic regression model, we utilize McFadden's pseudo-R-squared. The pseudo-R-squared yields a value of 0.05. This output indicates that the model explains a modest degree of the variance in the dependent variable. Although pseudoRsquare yielded 0.052 several independent variables of interest achieved statistically significant indicating that variables used in the model have a significant influence on whether someone engages in payday lending in Mississippi.

Despite the modest pseudo-R-squared value, several predictors in the model are important in determining are statistically significant and important in determining whether the probability of taking out a payday loan. For example, race (Black vs. White) and educational attainment were significant predictors of the probability of taking out a payday loan. These findings suggest that, although the model does not explain a large proportion of the variance, it identifies key factors that influence payday loan usage.

To further assess the model fit, additional measures were considered. The Hosmer-Lemeshow test does not indicate a lack of fit (χ^2 = 8.45, p = 0.39), suggesting that the model's predictions align well with the observed data. The classification accuracy of the model is 70%, with a sensitivity of 68% and specificity of 72%. Moreover, the ROC-AUC value is 0.65, indicating a moderate level of discriminative ability. While the pseudo-R-squared value is modest, the logistic regression model provides valuable insights into the factors associated with payday loan usage. The significant predictors identified by the model can inform targeted interventions and policy decisions aimed at reducing reliance on payday loans.

Table 2 displays the results of the logistical regression analysis and indicates that several of our variables of interest are statistically significant predictors of a respondents' propensity of engaging in payday lending.

Table 2: Odds Ratios for Taking out a Payday Loan



The odds ratios calculated from the logistic regression analyses indicate that the variable that captures race is significant with a pvalue ***<.01. Its value of 2.06 suggests that respondents who identify as Black are more likely to engage in payday lending than white respondents. Odds ratios from logistic regression are not easily interpreted so to provide a more substantive understanding of the impact of race on payday lending on practices, we calculate the predictiveprobabilities for this and other variables that influence the decision to take out a pay day loan. Predictive probabilities allow us to capture the probability of taking out a payday loan based on the respondents' race.

Figure 1: Probability of Taking out a Payday Loan by Race in Mississippi

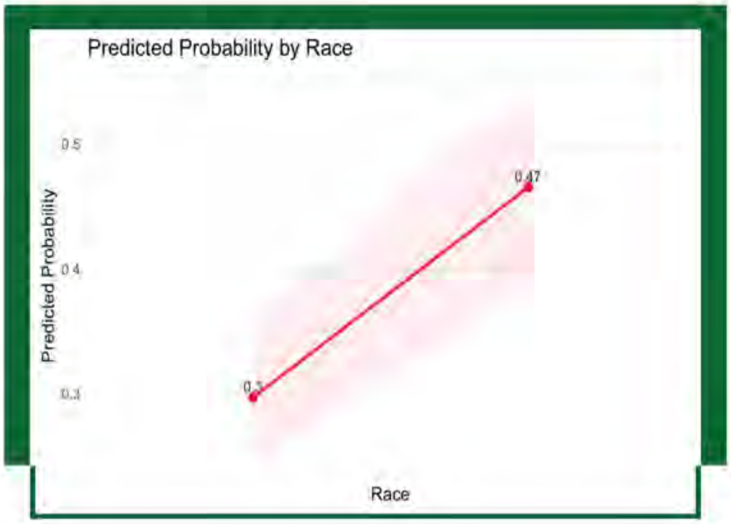


Figure 1 displays the probability of a respondent taking out a payday loan by race with the probability for Whites represented on the left and the probability for Blacks represented by the value on the right. According to Figure 1, Black respondents are significantly more likely to engage in payday lending than white respondents. In fact, Black respondents have a 47% probability that have taken out a payday loan compared to whites whose predictive probability of taking out a payday loan is only 30% percent. This evidence suggests strong support for our hypothesis that Blacks are significantly more likely to engage in payday lending in Mississippi than whites. The margins plot illustrates the predicted probabilities of taking out a payday loan among differentracial groups. Specifically, it shows that White individuals have a predicted probability of approximately 30%, while Black individuals have a significantly higher probability of 47%. This indicates a substantial 17% percentage point difference, suggesting that Black individuals are much more likely to take out a payday loan compared to White individuals. The considerable gap between the two groups demonstrates the effect of socioeconomic disparities and reveals the need for policy interventions to address economic inequality.

The analysis controls for variables such as income, employment status, and education level, yet the racial difference remains pronounced, suggesting that systemic factors may contribute to these disparities. The visual representation in the plot clearly shows this difference, with a notable gap between the points for Whites and Blacks.

According to Table 2, The odds ratio for gender is greater than 1 and the significance level is appropriate (>.01) indicating that respondents who identify as female are more likely to engage in payday lending than male respondents. Several scholars have cautioned researchers against simply controlling for gender. These scholars suggest that in order to fully understand how race and gender functioning social and political phenomena it is important to consider the intersection of race and gender. To take a deeper dive into how race and gender influence payday lending the predictive probability are calculated by race and gender.

Figure 2:

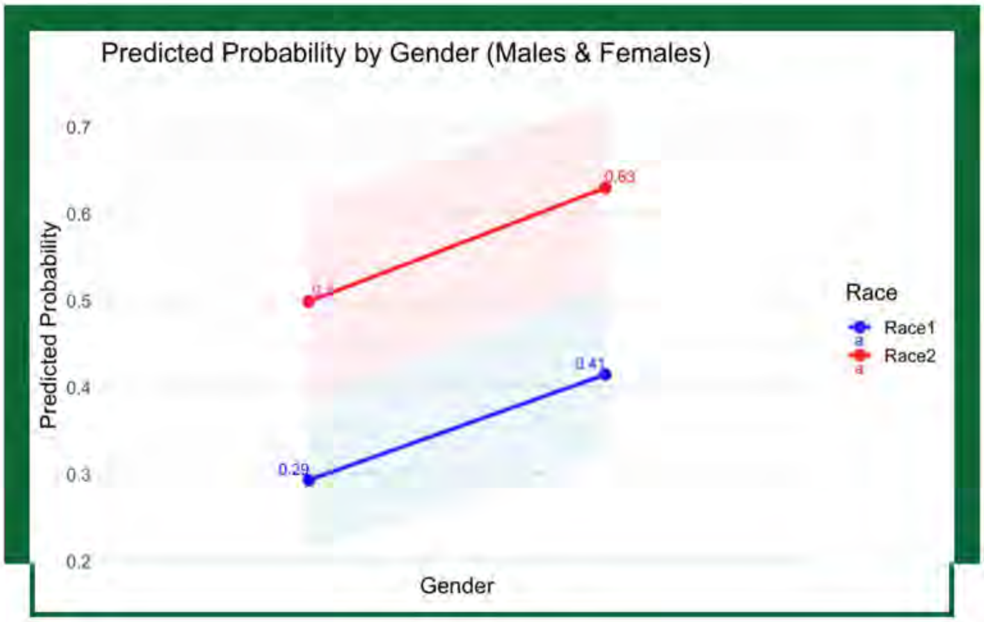


Figure 2 displays the margins plot for the predicted probabilities of taking out a payday loan by race and gender. The bottom line on the plot represents White respondents while the top line represents Black respondents. In addition, the values to the left of the line represent the probability for males and the values to the right represent the probability for females. The plot reveals a consistent pattern of racial disparities between Blacks' and whites' propensity to take out a payday loan by gender. Both Black males and Black females are significantly more likely to report having taken out a payday loan when compared to white males and females. The figure reveals distinct differences in the likelihood of taking out a payday loan across these groups:

White Men: The predicted probability of White men taking out a payday loan is 29%
Black Men: In contrast, Black men have a significantly higher predicted probability of 50%.
White Women: White women have a predicted probability of 41%.
Black Women: Black women have the highest predicted probability among the groups, at 63%.

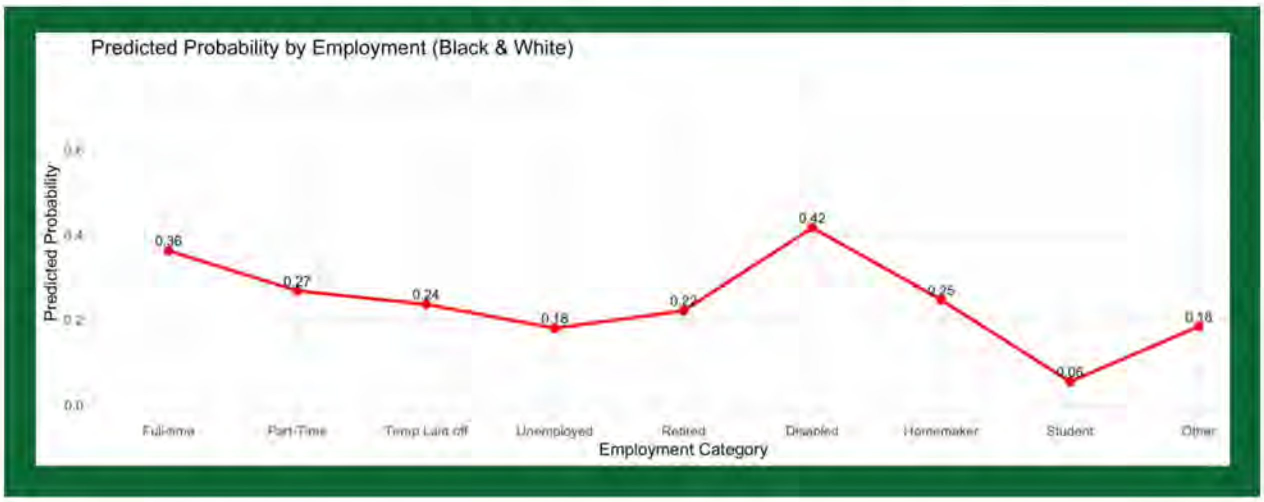
These findings indicate major disparities in payday loan uptake:

- **Racial Disparity Among Men:** Black men are 21 percentage points more likely to take out a payday loan compared to White men.
- **Racial Disparity Among Women:** The gap among women is similar, with Black women being 22 percentage points more likely than White women to take out a payday loan.
- **Gender Disparity Within Races:** Comparing across gender within the same race, White women have a slightly higher predicted probability (29%) than White men (41%), while Black women have a significantly higher predicted probability (63%) than Black men (50%). Within both groups, Blacks and Whites, women have a higher probability of taking out payday loans than men. Yet, Black respondents have a higher probability of taking out payday loans than White respondents.

There is a gender gap, within each race, the gap for Black people is 13 percentage points and while the gap for Whites is 12 percentage points. What is most staggering, however, is that the racial gap is almost double the gender gap.The gap between Black and White men is 21 percentage points and the gap for Black and White women is 22%. The racial gap is unmistakable greater than the gender gap.

The coefficient for employment status is statistically significant and less than 1 suggesting that respondents who are employed are less likely to report having engaged in payday lending (See Table 1). A more detailed analysis of the impact the predicted probability of engaging in payday lending is calculated and displayed in Figure 3. Figure 3 displays the t predicted probability of taking out a payday loan by employment status comparing the racial groups. In this graph the top line represents Black respondents while the bottom line represents White respondents.

Figure 3: Predicted Probability of Payday Loan by Employment Status



Each of the employment status categories is represented with a vertical line on the graph. The height of each bar reflects the likelihood of taking out a payday loan, with the highest bars for full-time employed and disabled individuals, and the lowest for students. This visual representation clearly highlights the variations in probabilities across different employment categories. Figure 3 reveals a range of predicted probabilities for taking out a payday loan, highlighting significant differences based on employment status:

- **Full-time Employment:** 36%
- **Part-time Employment:** 27%
- **Laid Off:** 24%
- **Unemployed:** 18%
- **Retired:** 23%
- **Disabled:** 42%
- **Homemaker:** 25%
- **Student:** 6%
- **Other:** 18%

The predicted probabilities indicate clear disparities across a respondent's different employment categories:

- **High Risk Groups:** Both full-time employed and disabled individuals have the highest predicted probability of taking out a payday loan, at 36% and 42% respectively. This suggests that even those with steady income, as well as those with disabilities who may face unique financial challenges, are more likely to rely on payday loans.

- **Moderate Risk Groups:** Laid-off individuals have a 24% probability, which is significantly higher than those who are unemployed (18%). Part-time employees also have a substantial probability at 27%, indicating a moderate risk level.

- **Lower Risk Groups:** Students have the lowest predicted probability at 6%, potentially reflecting lower immediate financial responsibilities or alternative forms of financial support. Retired individuals (23%) and homemakers (25%) also show lower probabilities compared to the fulltime employed or disabled.

- **Other:** Individuals classified under "other" have a relatively low predicted probability of 18%, indicating that nontraditional employment statuses might correlate with less reliance on payday loans.

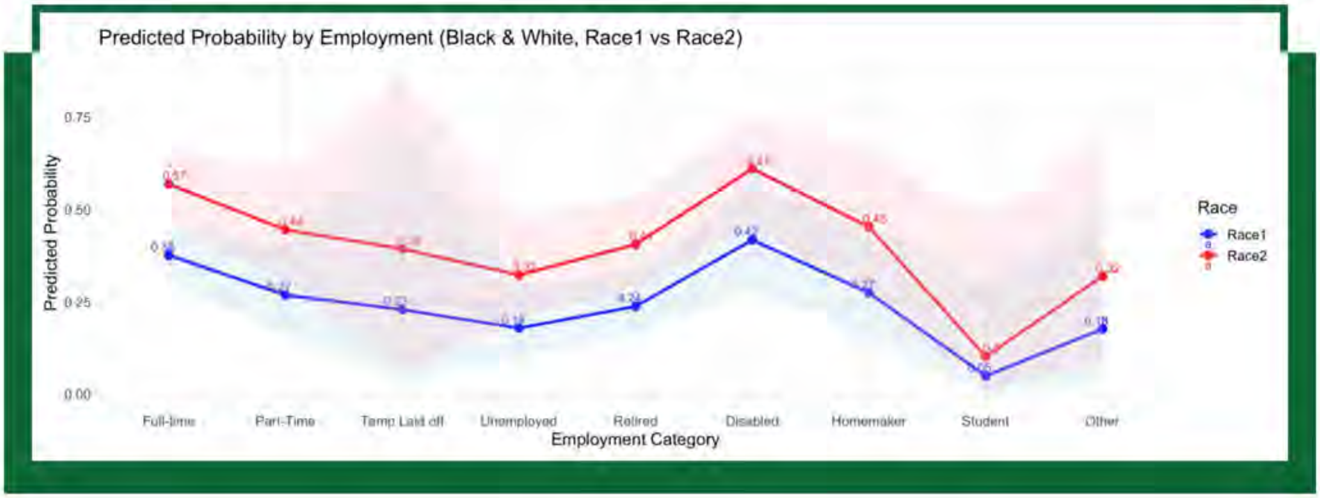
The high predicted probability for full-time employed individuals may reflect that having a job does not necessarily equate to financial security. It may indicate a reliance on payday loans due to insufficient wages, high cost of living, or unexpected expenses (patterns all confirmed in the focus groups). The elevated likelihood among disabled individuals highlights the financial vulnerabilities they face, possibly due to higher medical expenses or limited access to traditional credit.

The lower predicted probabilities for students and retirees suggest that these groups may have other financial resources or supports, such as family support or pensions, which reduce the need for payday loans. The relatively low probability for homemakers could reflect reliance on a partner's income or other financial arrangements.

The evidence contained in this analysis provides strong empirical evidence that substantial disparities exist among Black and whites' likelihood of engaging in payday loans. Because wide disparities exist among racial groups the predictive probabilities of engaging in payday lending by employment status and race are of significant interests. To more thoroughly examine these patterns the predicted probabilities of taking out a payday loan by level of employment status and race are calculated and displayed in Figure 4. Figure 4 plots the predicted probabilities of engaging in payday lending by race. Figure 4 presents a consistent pattern that adds further

evidence for the hypothesis. Even across different levels of employment, Black respondents reported taking out a payday loan more than white respondents.

Figure 4: Predicted Probability of Payday Loan by Employment Status and Race



The plot visually represents these probabilities as a series of bars or points for each race and employment status. Both groups are displayed on the figure to make it easier to see the differences between the racial groups. Each vertical line represents the category with the probability of taking out a payday loan and uncovers distinct patterns showing higher probabilities for Black individuals across all employment statuses compared to White individuals. The clear separation between the lines for Blacks and Whites across various employment statuses reveal the substantial disparities in financial behavior and vulnerability.

- **Whites:**
    - Full-time: 38%
    - Part-time: 27%
    - Laid off: 23%
    - Unemployed: 18%
    - Retired: 24%
    - Disabled: 42%
    - Homemaker: 27%

    - Student: 5%
    - Other: 18%

- **Blacks:**
    - Full-time: 57%
    - Part-time: 44%
    - Laid off: 39%
    - Unemployed: 32%
    - Retired: 41%
    - Disabled: 61%
    - Homemaker: 45%
    - Student: 10%
    - Other: 32%

The predicted probabilities show substantial differences between Whites and Blacks across various employment statuses:

- **Full-time Employment:** The likelihood of taking out a payday loan is significantly higher for Black individuals (57%) compared to White individuals (38%). This indicates a 19-percentage point difference, highlighting disparities in financial stability and access to credit even among the fulltime employed.
- **Part-time Employment:** Black part-time workers have a 44% probability, compared to 27% for White parttime workers. This 17-percentage point gap suggests that parttime employment may exacerbate financial vulnerabilities more acutely for Black individuals.
- **Laid-Off:** Black individuals who are laid off have a 39% probability of taking out a payday loan, compared to 23% for Whites. The 16-percentage point difference may reflect greater economic challenges faced by Black individuals in the aftermath of job loss.
- **Unemployed:** The probability is 32% for Black individuals versus 18% for Whites, showing a 14-percentage point disparity.
- **Retired:** Among retirees, Black individuals have a 41% probability, compared to 24% for Whites. This 17-percentage point gap suggests that

Black retirees may experience greater financial insecurity.

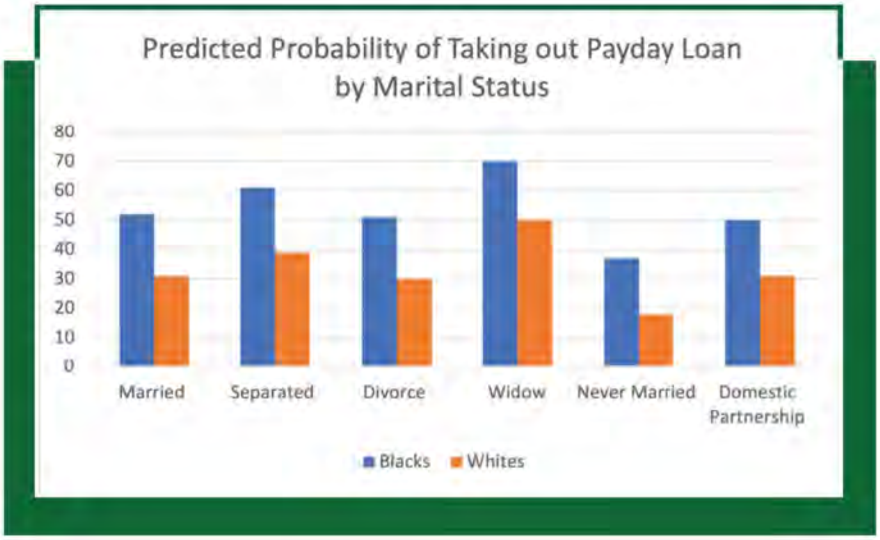
- **Disabled:** Both Black and White individuals with disabilities have high probabilities, with Blacks at 61% and Whites at 42%. This 19-percentage point difference underscores the financial precarity faced by disabled Black individuals.
- **Homemaker:** Black homemakers have a 45% probability, compared to 27% for Whites, indicating a 18-percentage point disparity.
- **Student:** Black students have a 10% probability, while White students have a 5% probability, reflecting a 5 percentage point difference.
- **Other:** The probability for Black individuals is 32%, compared to 18% for Whites, showing a 14-percentage point gap.

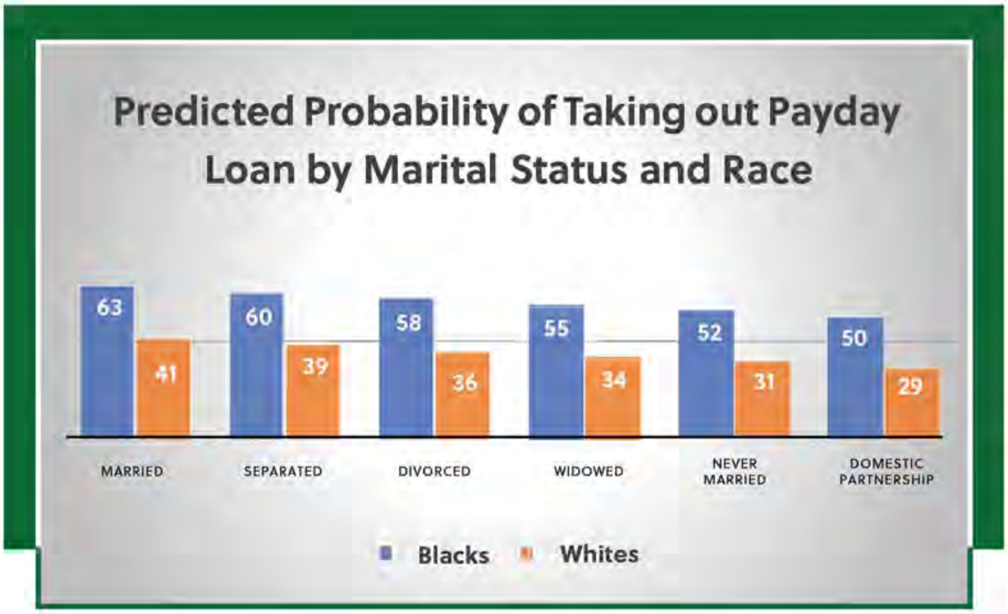
The data highlights significant racial disparities in the likelihood of taking out a payday loan across all employment statuses. These disparities suggest that Black individuals, irrespective of their employment status, are more likely to resort to payday loans, possibly due to systemic inequalities, less access to traditional financial services, or higher financial pressures. Even for those who are fulltime employed or students, Black individuals face greater financial vulnerabilities compared to their White counterparts.

For instance, the high probabilities among Black individuals who are full-time employed and those who are retired suggest that these groups might not benefit equally from the security typically associated with these statuses. This could indicate disparities in income levels, savings, and access to affordable credit.

To ascertain the relationship between taking out a payday loan and marital status among Blacks and whites the predictive probabilities are calculated. Consistent with the previous findings there is a continued disparity between Black and whites even when we look at the likelihood of taking out a payday loan by marital status suggesting that Blacks who are married are still substantially more likely to indicate engaging in payday lending than white respondents who are married (See Table 3)

Table 3: Predicted Probability of Taking out Payday Loan by Marital Status





Marital Status: Married

- **White**: 41%
- **Black**: 63%

Black individuals who are married have a significantly higher predicted probability of taking out a payday loan compared to their White counterparts.

Marital Status: Separated

- **White**: 39%
- **Black**: 60%

Similarly, those who are separated show higher predicted probabilities among Black individuals compared to White individuals, indicating a notable disparity.

Marital Status: Divorced

- **White**: 36%
- **Black**: 58%

Black individuals who are divorced also exhibit higher predicted probabilities compared to White individuals in the same marital status category.

Marital Status: Widowed

- **White**: 34%
- Black:55%

There is a substantial difference in predicted probabilities between widowed Black and White individuals, with Black widows showing a significantly higher likelihood of taking out a payday loan.

Marital Status: Never Married

- **White**: 31%
- **Black**: 52%

Even among those who have never married, Black individuals have a higher predicted probability of taking out a payday loan compared to White individuals.

Marital Status: Domestic / Civil Partnership

- **White: 29%**
- **Black: 50%**

Black individuals in domestic or civil partnerships also exhibit higher predicted probabilities compared to White individuals in similar partnerships.

In summary, across all marital statuses examined, Black individuals consistently show higher predicted probabilities of taking out a payday loan compared to their White counterparts. This comparison underscores the importance of considering race and marital status intersections in financial research and policymaking to mitigate disparities in financial outcomes. It also calls into question whether or not traditional institutions like marriage are sufficient for helping Blacks ease financial pressures.

Income and Predicted Probabilities

According to the logistic regression analysis reported in Table 2, family income is also a significant predictor of taking out a payday loan. The odds ratio value below 1 indicates that overall higher family income is associated with decrease in the likelihood of taking out a payday loan.

Table 11: Income and Payday Lending

Race White and Black Family Income	Predicted Probability
White Less than $10,000	0.39
$10,000 - $19,999	0.39
$20,000 - $29,999	0.38
$30,000 - $39,999	0.38
$40,000 - $49,999	0.38
$50,000 - $59,999	0.38
$60,000 - $69,999	0.37
$70,000 - $79,999	0.37
$80,000 - $99,999	0.37
$100,000 - $119,999	0.37
120,000 - $149,999	0.36

Race White and Black Family Income	Predicted Probability
	0.36
$150,000 - $199,999	0.36
$200,000-$249,999	
Blacks Less than $10,000	0.60
$10,000 - $19,999	0.60
$20,000 - $29,999	0.60
$30,000 - $39,999	0.60
$40,000 - $49,999	0.59
$50,000 - $59,999	0.59
$60,000 - $69,999	0.59
$70,000 - $79,999	0.59
$80,000 - $99,999	0.58
$100,000 - $119,999	0.58
$120,000 - $149,999	0.58
$150,000 - $199,999	0.58
$200,000 - $249,999	0.57

- **White Respondents**: Generally, as income increases among White individuals:
  - Predicted probabilities of taking out a payday loan tend to decrease marginally.
  - There is a very small decrease from lower income brackets to higher income brackets.
  - For instance, from less than $10,000 to $250,000-249,000, the probabilities only decrease (0.39 to 0.36), with very small increments of change in between.

- **Black Respondents**: Similarly, among Black individuals:
  - There is a similar trend of decreasing predicted probabilities as income increases.
  - However, the probabilities at each income bracket tend to be higher compared to White individuals.
  - For example, at $30,000 - $39,999, Black individuals have a higher predicted probability (0.60) compared to White individuals (0.38).

Racial Disparities

- **Overall Comparison**: Across all income categories:
  - Black individuals consistently exhibit higher predicted probabilities of taking out a payday loan compared to White individuals.
  - This disparity is evident even at higher income levels, where Black individuals still have notably higher probabilities compared to their White counterparts.
  - Race has greater impact on the probability of getting a payday loan than income. In fact, the gap between the lowest and highest income categories is only 3 percentage points, but the racial gap is at least 20 percentage points in each category.

Specific Observations by Income Bracket

- **Lower Income Brackets**: Both White and Black individuals show higher predicted probabilities, but Black individuals consistently show higher values.
    - For instance, in the "Less than $10,000" income bracket, Black individuals have a predicted probability of .60, whereas White individuals have 0.39.

- **Middle to Higher Income Brackets**: While the overall trend shows decreasing probabilities with higher income, disparities remain pronounced.
    - Even at income levels like $100,000 - $119,999, Black individuals (0.58) have higher predicted probabilities compared to White individuals (0.37).

Impact of Income and Race

- **Intersectional Analysis**: The data shows how income intersects with race to influence financial behaviors.
    - Despite income improvements, racial disparities persist, suggesting underlying socio-economic factors impacting financial decisions.

The variables that measure education, children under the age of 18, and political party are not significant.

Location of Payday Lending Companies in Mississippi Delta

Research funded by the Robert Wood Johnson Foundation

HIGHER PURPOSE HUB
Center for Rural Strategies
Institute for the Advancement of Minority Health
SSAL socio-spatial analysis laboratory

Our research indicates that payday lending businesses are not disproportionately clustered near the residences of Black people in the Mississippi Delta. Comparison of locations of conventional banks and credit unions versus locations of payday lending associated businesses (see business codes below) demonstrated that predatory lending establishments were, unexpectedly, located close to locations of traditional finance. This means that race is not an indicator for the location of predatory lending and Black communities.

What our research does indicate, however, are two key findings: First, in our analysis of financial services, both alternative financial service (AFS) (predatory) and traditional financial services, we find clear evidence that the Mississippi Delta has categorically lower access to both banks and AFSs than other parts of the state, especially compared to urbanized areas. Second, we find that racial disparities in the use of payday lending (AFS) that we have measured in previous methods are not driven by spatial inequalities. That is, the location of banks and alternative services is not the determining factor for why Black communities disproportionately rely upon predatory lending services. As spatial analysis below indicates, banks and AFS are located very close together in the Mississippi Delta counties, and therefore, inequalities in access and usage are driven by what is happening inside the financial services rather than through the spatialized inequities.

Working Dr. Taylor Shelton and Ryan Pardue at Georgia State, we conducted spatial regression analysis, using a 'banks on a plane' geospatial accessibility metric to analyze accessibility by race for the two kinds of financial services. Mirroring analysis done in Atlanta (Shelton and Pardue 2025), this approach considers various time-geographies of access surrounding financial services, including a 30 min commute time to access the financial services. In the Delta Counties sampled, the researchers found that AFS and FS were largely located in similar locations, and therefore, there was little discrepancy in access by race or income. In fact, in certain instances Black populations may have greater access to traditional FS than non-Black populations, although those results remained inconclusive.

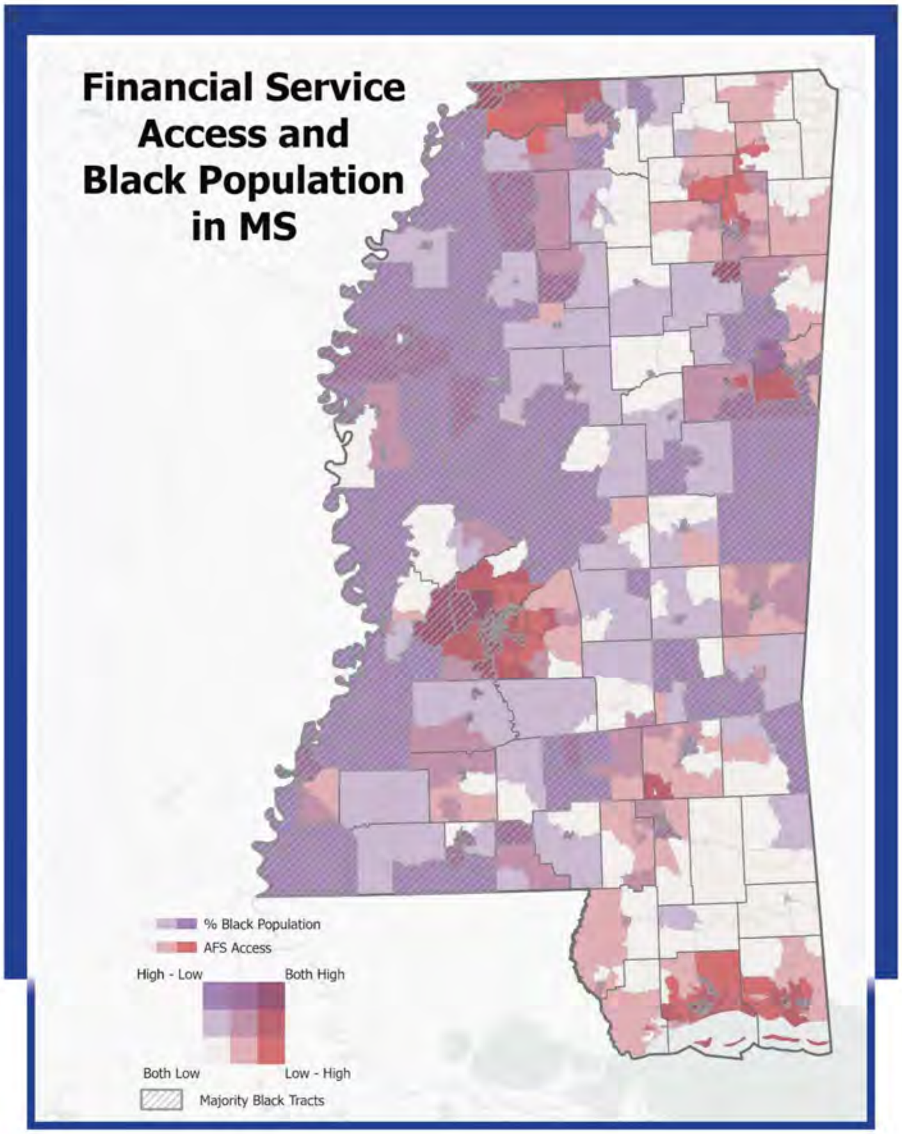
The below maps illustrate the distribution of FS, AFS and racial demographics in targeted Delta communities. The maps show how AFS and FS cluster in shopping and business locations, often in the centers of small towns. Thus, the maps illustrate how geography is, likely, not the determinative factor behind the racial divide in predatory lending. Rather, therefore, race plays a determining factor through non-geographic aspects, meaning people choose or find themselves forced to seek predatory lending services, not because they are easier to access, but because of other qualitative reasons, as delineated in the findings from focus groups and the survey.

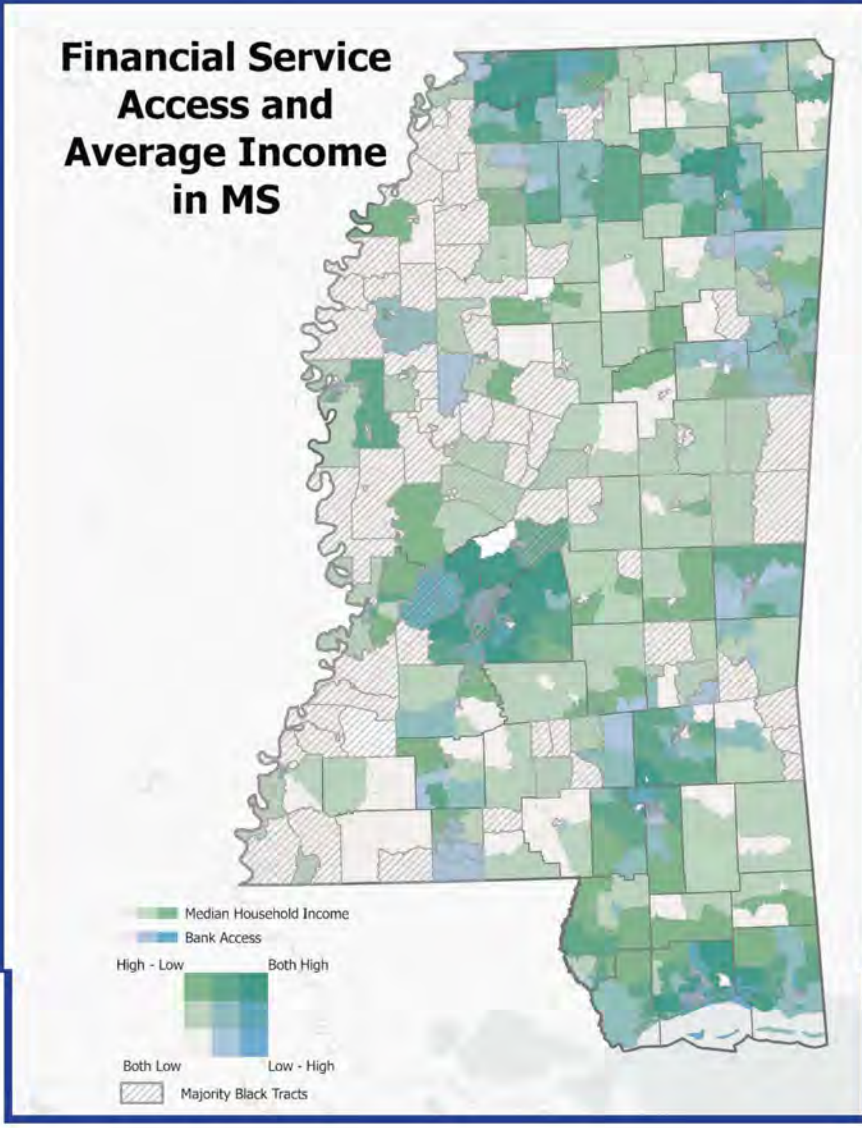
Business codes used for analysis:

Service Type	*Count*		
Conventional Banks (52211002)	**1,119**	*Service Type*	*Count*
Credit Unions (52213003)	**175**	**Automobile Title Loans (52222002)**	**24**
		Loans (52229103)	**52**
		Title Loans (52229109)	**33**
		Payday Loans (52229111)	**275**
		Pawnbrokers (52229915)	**144**
Total	**1,294**	**Check Cashing Services (52232003)**	**198**

Maps below document the location of predatory lending facilities, here detailed as 'Alternative Financial Services,' and demographics. The maps indicate that payday lending associated businesses are not clustered in areas with larger Black populations. Rather, the maps illustrate that geographic location is not the driver of racialized outcomes of payday lending.

This map illustrates that areas where there is both a high level of a Black population and AFS are clustered largely in urban areas and in the Delta counties of Mississippi.





This map shows high levels of both median household income and access to traditional banking services clustered in urban areas and in the Gulf South and north Mississippi hills. Areas with majority Black populations are notably largely outside the areas with high levels of income and banking sectors, indicating that Black communities are underserved by traditional financial institutions and have lower median incomes.

Attitudes Towards Payday Lending in Mississippi

Research funded by the Robert Wood Johnson Foundation

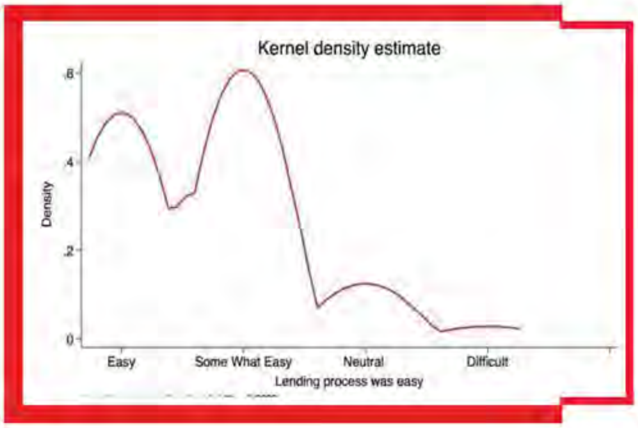
HIGHER PURPOSE HUB

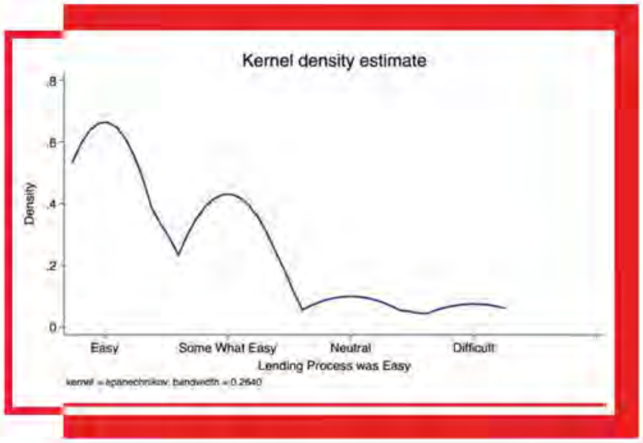
Center for Rural Strategies

Institute for the Advancement of Minority Health

SSAL socio-spatial analysis laboratory

Key Findings: The charts above contain the perceptions of how respondents perceive the ease and difficulty of the payday lending process. The charts with the red line contain Black Respondents and the chart with the blue line indicate White respondents.

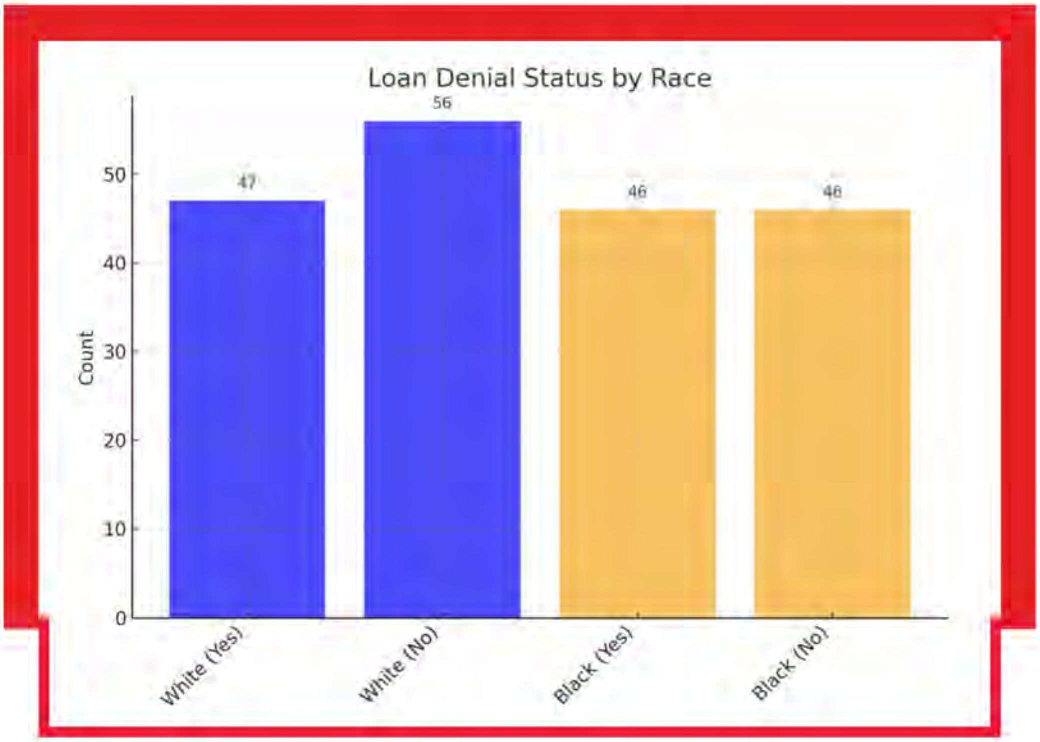




- For white respondents, the density is highest around **Easy**, suggesting most White respondents felt the payday lending process was straightforward.
- For Black respondents, the density is highest around Somewhat Easy, suggesting that most Black respondents felt the payday lending process was relatively easy.
- For white respondents, a smaller peak is visible around **Somewhat Easy**, showing a subset with moderate agreement on ease.

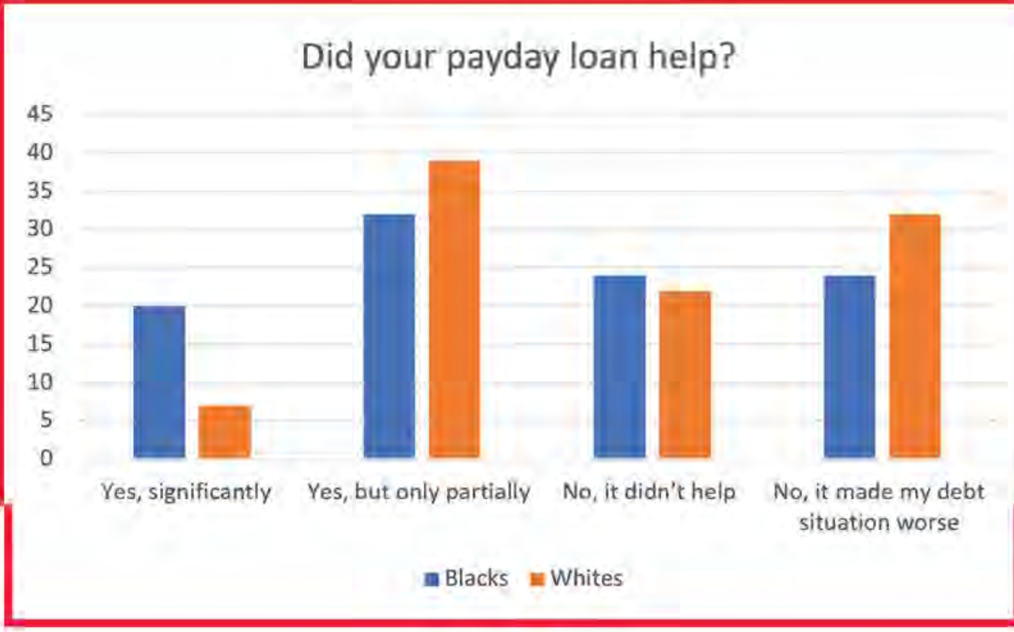
- Few respondents categorized the process as **Neutral** or **Difficult**, indicated by the low density in those areas.

Denied Loan from Traditional Bank by race



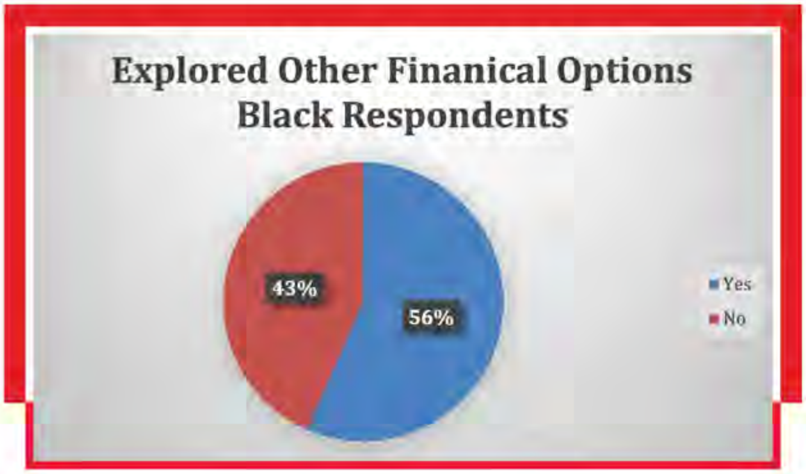
Key Finding:

- 47 % of white respondents indicate having been denied a loan from a traditional bank, compared to 46 % of Black respondents who indicated the same. On the other hand, 56% of white surveyed indicated that they had not been denied, compared to 46% of Black respondents who had not been denied.
- This evidence suggests that Black respondents are denied loans from banks more than white respondents. Key findings:



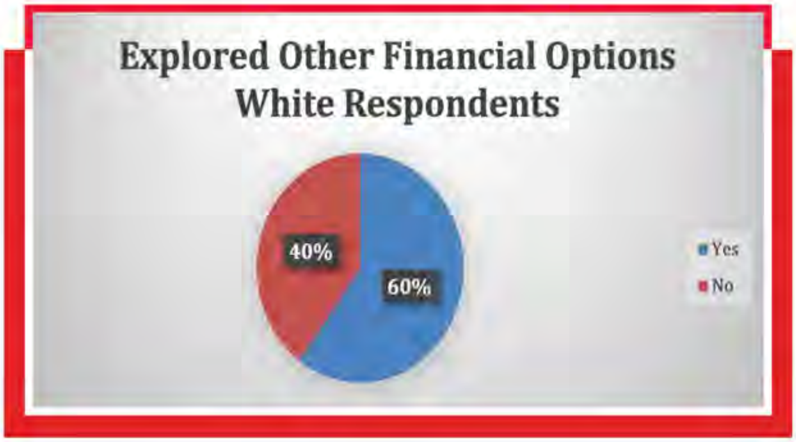
Key Finding:

- Around 7% of White respondents indicated that payday loans significantly helped their financial situation, while 39% reported that the loan helped only partially. 22% of White respondents indicated that the loan did not help, and 32% stated that the payday loan made their situation worse.
- Around 20% of Black respondents stated that the loan significantly helped them get out of debt, while 32% indicated that the loan only partially helped them. 24% of Black respondents indicated that the loan did not help them get out of debt, and 25% reported that the loan made their debt situation worse.



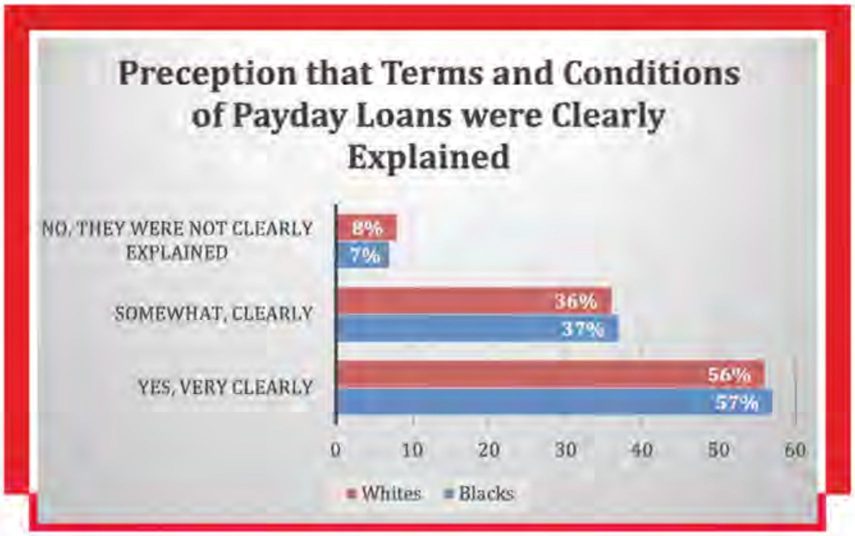
Key Finding: An overwhelming majority of Black respondents indicate having explored other financial options before taking out a payday loan.

- 56% of Black respondents indicate having explored other financial options, while 43 % did not explore other options.



Key Finding: An overwhelming majority of White respondents indicate having explored other financial options before taking out a payday loan.

- 60% of White respondents indicate having explored other financial options, while 40 % did not explore other options.



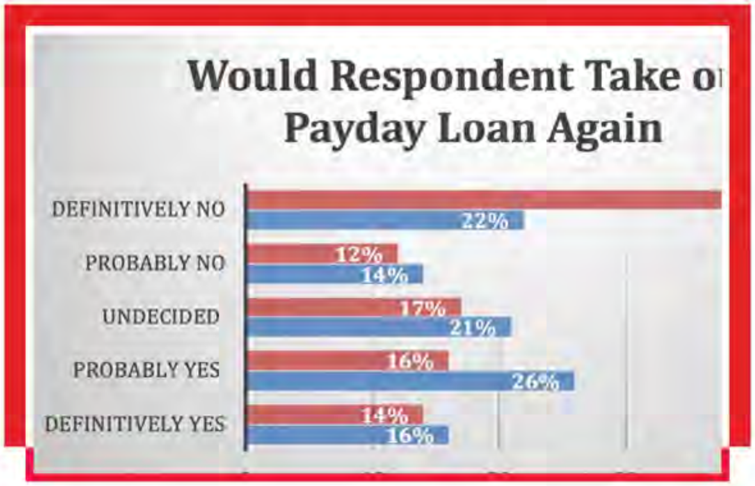
Key Findings: A majority of respondents across racial categories in Mississippi believe that the terms and conditions of Payday Loans were clearly explained.

- 36 % of white respondents indicate that the terms and conditions were somewhat clearly explained and 56% of white respondents indicated that the terms and conditions were very clearly explained.

- 37 % of Black respondents indicate that the terms and conditions were somewhat clearly explained and 57% of white respondents indicated that the terms and conditions were very clearly explained.

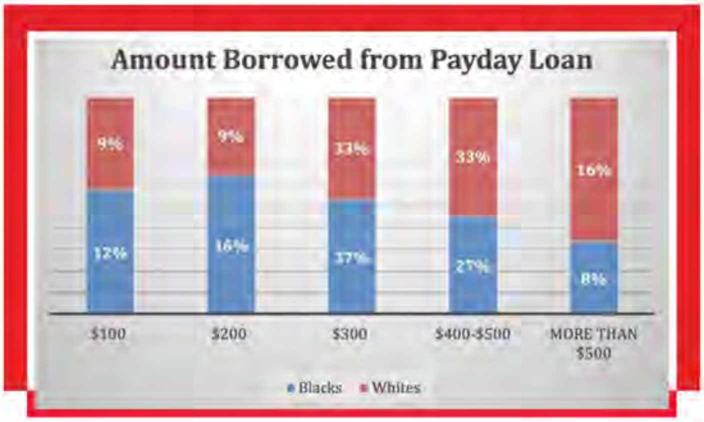
- Very few respondents in both the Black and white categories indicate that the terms and conditions were not clearly explained.

Key Findings: A majority of white respondents (55%) indicate that they would not take out a payday loan again. About 36% of Black respondents



indicated that they would not take out a payday loan.

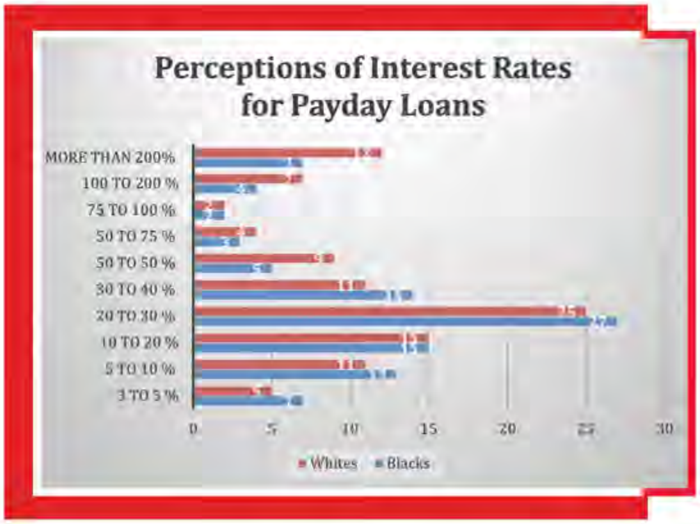
- 17% of White respondents indicated that they are undecided, and 21% of Black respondents also indicated that they are undecided.
- 30% of White respondents indicated that they would take out a payday loan again, while 42% of Black respondents indicated that they would take out a payday loan again.
- These differences in responses might reflect the reality of the disparity in other financial options available to Black and White respondents.



Key Finding: The amount of money borrowed by respondents differs by race.

- A majority of white respondents indicate having borrowed ranges between $400 and $500.
- A majority of Black respondents indicate having borrowed ranges between $200 and $300.

The evidence from the respondents surveyed suggest that Black respondents borrow less money than from payday lending companies than white respondents



A majority of respondents have a fundamental misunderstanding regarding the amount of interest that Payday Lending companies charge. Recall from a prior figure that a majority of both Black and White respondents believed that the terms and conditions were clearly explained.

Key Finding: A majority of both Black and white respondents indicated that Payday Loan companies charged between 5 to 200%. This is a very large range and while most companies have different interest rates, a majority of payday lending companies charge nearly 400% in interest. This suggests that the interest rates that payday loan companies actually charge is different from the perceptions that respondents hold.

Key Finding: A majority of all respondents in Mississippi indicate that they would not recommend a payday loan.

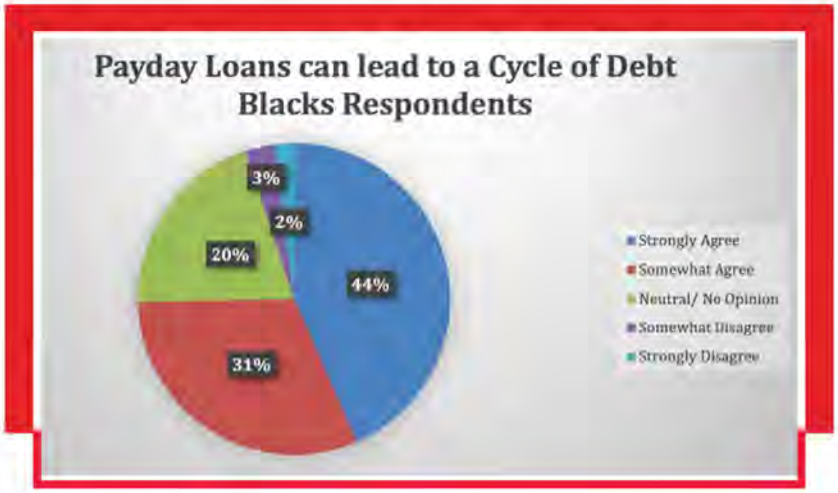
Key Finding: 64% of Black respondents in Mississippi indicate that they are either very unlikely (17%) or to recommend a payday loan and 48% indicate that they are unlikely to commend taking out a payday loan.

Key Findings:

- Although 28 % of Black respondents are neutral or have no opinion at all on the beliefs that Payday loans are fair, 18 percent believe they payday loans fees are somewhat not fair and 30 percent strongly believe that payday loans are not fair. On the contrary, 6 percent of respondents strongly believe that payday loans fees are fair and 18 percent somewhat believe that payday loans fees are fair.

Key Findings:

- Although 25% of white respondents are neutral or have no opinion at all on the beliefs that Payday loans are fair, 22 percent believe payday loans fees are somewhat not fair and 43 percent strongly believe that payday loans are not fair. On the contrary, 7 percent of respondents strongly believe that payday loans fees are fair and 8 percent somewhat believe that payday loans fees are fair.



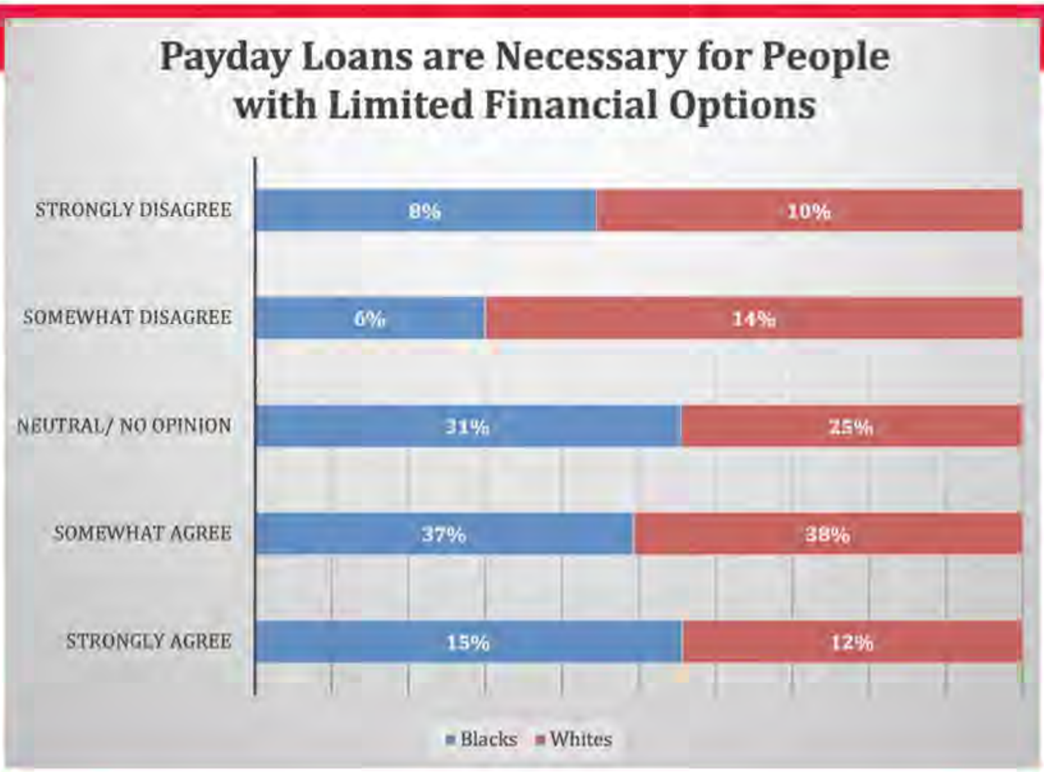
Key Findings: A majority of Black respondents overwhelmingly believe that Payday Loans can lead to a cycle of debt.

- 44 percent of Black respondents strongly believe that payday loans can lead to a cycle of debt and 31 percent of respondents somewhat

agree that payday loans can lead to a cycle of debt.

Key Findings: A majority of White respondents overwhelmingly believe that Payday Loans can lead to a cycle of debt.

- 52 percent of Black respondents strongly believe that payday loans can lead to a cycle of debt and 30 percent of respondents somewhat agree that payday loans can lead to a cycle of debt.



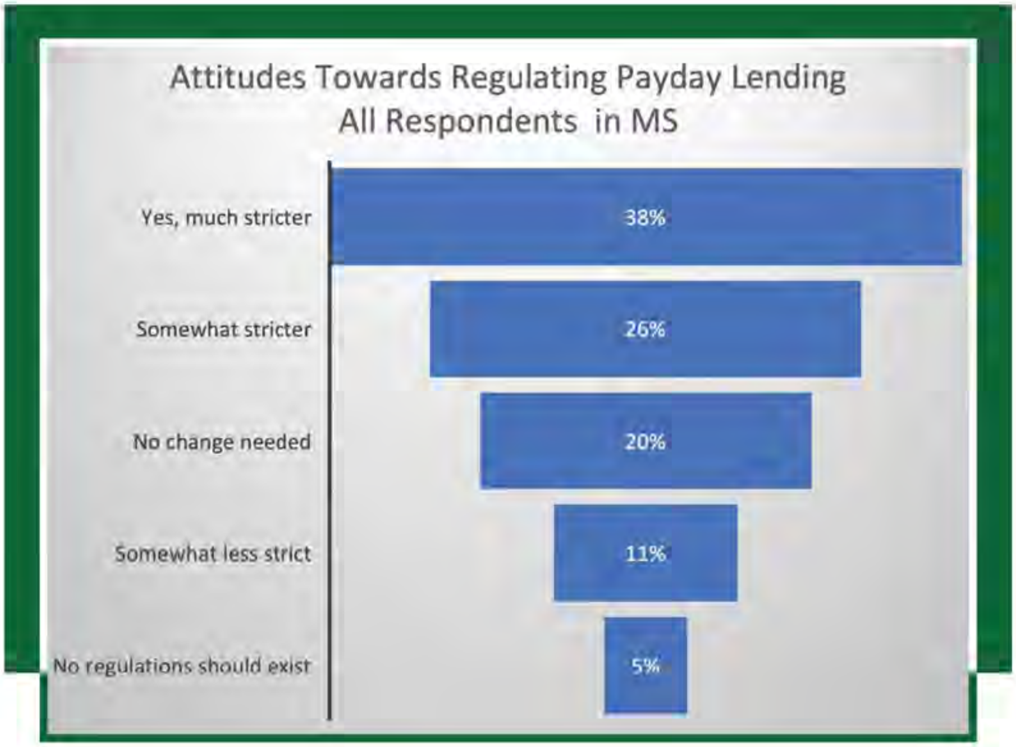
Key Finding: A majority of Black and white respondents agree and strongly agree that Payday Loans are necessary for people with limited financial options.

- When asked about their thoughts on the necessity of payday loans for people with limited financial options, 37 percent of Black respondents somewhat agreed and 15 percent strongly agreed.
- Similarly, 38 percent of white respondents somewhat agreed and 12 percent strongly agreed.

Attitudes Towards Regulating Payday Lending in Mississippi

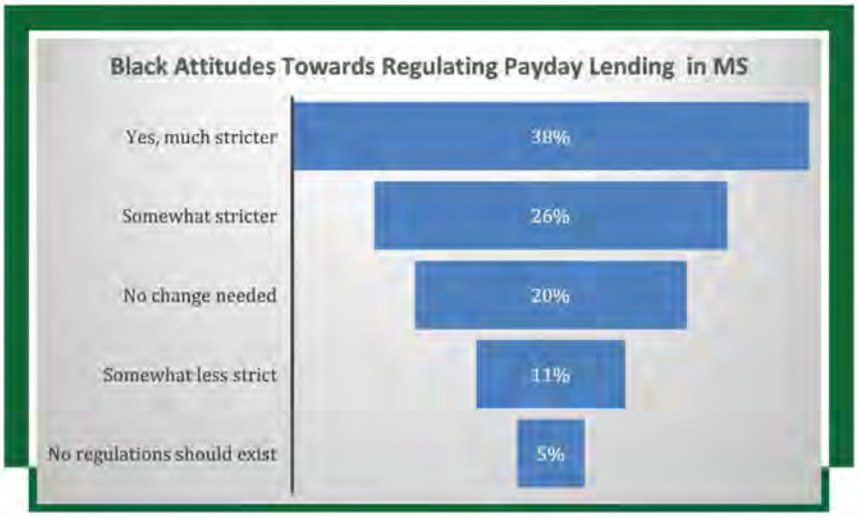
Research funded by the Robert Wood Johnson Foundation

HIGHER PURPOSE HUB Center for Rural Strategies Institute for the Advancement of Minority Health SSAL socio-spatial analysis laboratory



Key Finding: Respondents across all races support stricter regulations of payday lending practices in Mississippi.

- 38 percent of all respondents support stricter regulations and 26 percent of respondents somewhat support stricter regulations. 20 percent of respondents indicated no changes needed. 11 percent support somewhat less strict regulations and 5 percent indicate that no regulations should exist regarding payday lending.



Key Finding: Black respondents overwhelmingly support either somewhat stricter regulations or stricter regulations of payday lending in MS.

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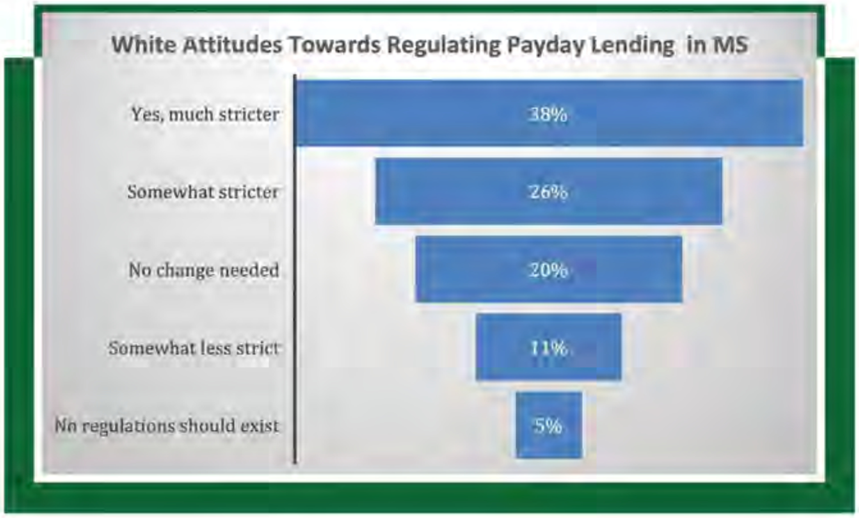

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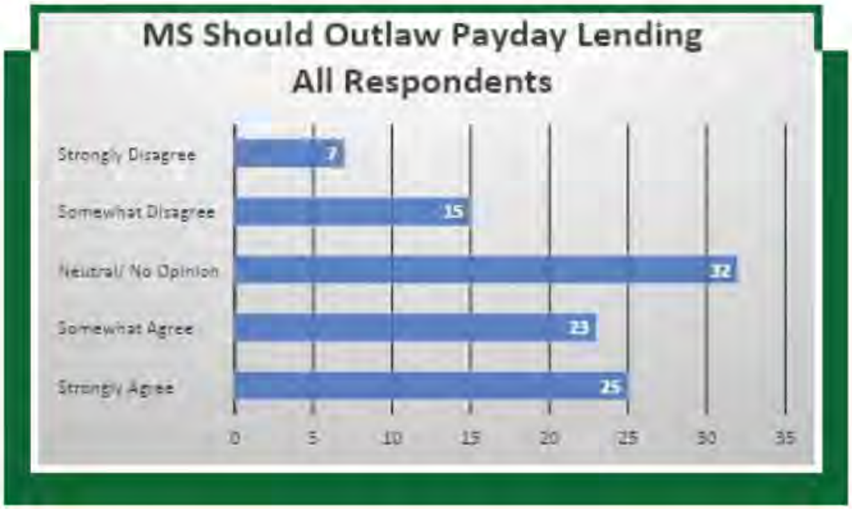


Focus Groups & Experiences with Payday Lending

Research funded by the Robert Wood Johnson Foundation

HIGHER PURPOSE HUB · Center for Rural Strategies · Institute for the Advancement of Minority Health · SSAL socio-spatial analysis laboratory

Focus group data indicates that payday lending is a very reliable method of accessing capital for many individuals in the Mississippi Delta. However, results also indicate that many find it difficult to get out of debt and spend much more to get out of debt than the original loan amount. Furthermore, while many people relied on payday loans, focus group data indicates that people largely were not aware of the terms and interest rates when they took on the debt and found themselves trapped in what many called 'predatory' loan obligations.

The four focus groups included **45 individuals, 40 of them women and 5 men, all of them Black, conducted in** Clarksdale, Indianola, Cleveland, Metcalf, and Itta Bena during April of 2024.

The focus groups yielded the following common themes:

1. Predatory practices: many respondents expressed that they felt they had fallen into a trap with the loans, and that the loans take advantage of vulnerable people, especially financially burdened individuals and those in crisis.
2. Unclear terms and conditions: many respondents
3. High Interest Rates: Payday loans often come with exorbitant interest rates, sometimes exceeding 300% APR, which borrowers should be acutely aware of.
4. Timely repayment: Not waiting to repay is crucial to avoid spiraling into debt due to accruing fees and interest
5. Advising alternatives: Many respondents argued that borrowers should consider if their financial situation can wait and explore other avenues if possible.
6. Addiction and Dependency: Some view payday loans as a potential addiction, leading to repeated borrowing and financial instability.

7. Short term gain: The short-term benefits of payday loans must be weighed against long-term consequences; sometimes it's best to decline quick cash.
8. Borrow Responsibly: If taking out a payday loan, borrowers should only borrow what they can realistically repay to prevent excessive debt.
9. Interest Awareness: The emphasis on "interest" highlights the urgent need for caution, as payday loans may seem appealing but come with significant repayments. Avoid Irresponsible Borrowing: It's important to consider the impact of borrowing on one's overall financial stability and avoid unnecessary risks.
10. Extra Fees and Charges: Borrowers should be aware of additional fees beyond interest rates and understand all associated costs before borrowing.

Focus groups identified that many people take on payday loans as a vital source of capital in times of need. The leading reasons individuals turned to payday loans were the ease of access during crises, and the ability to get cash immediately, without barriers. Below are more detailed responses:

A Lifeline During Emergencies
Participants shared how payday loans often served as a crucial financial lifeline, helping them manage unexpected expenses until their next paycheck.

Quick and Convenient Access
Payday loans were praised for their simplicity and ease of access. Participants noted that the application process is straightforward, requiring minimal paperwork, whether completed online or instore. Approvals are usually granted quickly, adding to their appeal.

Relief When It's Needed Most
Many borrowers expressed gratitude for the immediate support payday

loans provide. As one participant shared, "I got the help I needed at the moment." These loans deliver rapid financial relief during urgent situations.

From Short-Term Fix to Long-Term Struggle

While intended as a temporary solution, participants frequently reported that payday loans can lead to long-term financial hardships. What starts as a short-term fix often evolves into a challenging cycle of debt.

Fast Access to Funds

Participants highlighted the speed of disbursement as a key advantage. Once approved, funds are typically made available almost immediately, allowing borrowers to address their needs without delay.

Below are stories written by participants about experiences with payday loans.

- *I have had to lend from multiple places without knowledge of financial literacy. One instance, I was able to do as needed then hit a slump when I could no longer receive the government assistance I had leaned on. This causes me to look towards borrowing regardless of the consequences. Although I struggled to get back on my feet, I learned to better manage funds, and do without.*

- *My experience with payday loans seems like it kept me in debt. Like*

every time a thought I was through with them I had to reborrow because I was short on money. But one day I explained to my oldest sibling what was going on. He did not loan me, gave me the money to pay it off and I did and never went back again.

- *When I was in a bind and needed extra money the payday loan was easy to access. When needed I am glad that it was an option that I could use, and it did help in my time of need.*

- *As a person who has used payday lending, I have learned/experienced the true value of a dollar. Every person's dollar has a value and because that person lets you use their dollar, they add another value. Don't become a person's dollar sign before you can be seen as a human to them.*

- *As a payday loan borrower, I've learned to figure out another way to save money instead of payday loans. Keep your head strong. Mainly returned to God's word pay my tithes he will open doors and windows where you want to have room to receive it. It works.*

- *As a payday lender, my story is basically to only borrow what is needed and not to use this method as a lending cycle if you are in a position to have to borrow money in the near future. Only use this option as a last resort in your access to getting money.*

- *I learned that if you don't need the money don't go get it. Try finding some other ways in getting the money you need. I was able to get out of debt with the payday loan after 2 years.*

- *As a MS native, payday lending was easily obtained, however no one discussed the down side. Everyone said it is easy and it solves problems. No one tells you about the spiral of not being able to repay time and the immediate fear, depression, and guilt that happens when you can't. Ultimately just say "no".*

- *I am a former payday lending user. I experienced the good and the bad. The good was having them available to offer the service that I was denied elsewhere. The bad was having to pay back double the amount borrowed.*

- *It's a struggle to pay them back. You dig yourself into a bigger hole by taking out the loan.*

- *As a former borrower, I started out with one and ended up with about 5 at one time. Actually, working for nothing trying to pay back the loans every pay period. Actually, forme there was no way out but thankfully at the end my sister stepped in and paid them off once she found out about my situation.*

- *I have been in situations where I have not been smart with my finances. As a youth I never had access to money on a regular basis so, I feel that I lacked and still lack discipline as it relates to finances. I had gotten into the habit of overdrafting my account to make ends meet. Lately I have learned how to bring in more income but still struggle to manage finances.*

- *I was working as a daycare worker and had to have medical bills that needed to be paid but I had no other option but to go to a payday loan and borrow money. I borrowed the money but didn't know I was going to be in debt for a while. The fees were so high that I had to keep borrowing until I got enough money to get out of debt and right today, I am a witness to how high the fees are today and be there to tell other people.*

- *The experience I got out of today is that when we are in a bind a lot of us have turned to check cashing places because where there not because they helped us in the long run. I used to go at the time because I needed to help a child of mine that was out of town and needed to get money for her right quickly.*

- *I am thankful for the process. It gave me help during my time of need. Also, it showed me areas where I lacked and gave me a greater hunger to financially educate myself.*

- *Payday lending allowed me to help my family during a difficult time of losing family members. I learned to plan for the unexpected but know it's ok to need a resource during the seasons of your life.*

- *I was a full-time student and Walmart associate looking to make ends meet for rent and car note. The payday loan, though expensive in the end, did take away a lot of immediate stress.*

- *I often use payday loans for the fact it's very easy to get and I just don't wait to be without or ask anyone for anything.*

- *Using payday lending was only beneficial for the moment. It helped to get out of one bind but placed into another due to interest rates. This experience has taught me to put up an emergency fund.*

- *I spent over $1000 in interest rates for money that I could have saved if I knew better.*

- *As a former user of payday loans, I have learned that not all needs are necessary. Sometimes what we think we "really need" can wait a little while longer. I can't be afraid to wait. Not all money is "good" money. Payday loans are just like trouble. . . easy to get in but hard to get out of. "Think twice, maybe thrice."*

- *I started my payday lending journey back in 2007. I used payday loans to help with my two children, bills, and unexpected expenses. I went into this with rose tinted glasses, thinking it would be easy and doable. Although the process was very easy, the interest and pay back wasn't. There were times that I couldn't pay the full loan back and wanted to be done but I was allowed to pay only the interest and rewrite. I hated those processes, but I got through. I was finally able to be done with this awful thing and process in 2018.*

EXECUTIVE SUMMARY FROM STRINGFELLOW STRATEGIC SOLUTIONS, LLC.

With findings from S3, Higher Purpose Hub sponsored five focus groups around the theme of payday lending in the Mississippi Delta. During April 2024, 44 individuals participated in focus groups held in the following locations: Clarksdale, Indianola, Cleveland, Metcalf, and Itta Bena. This report describes the findings from these focus groups and serves as a catalyst for Higher Purpose Hub to further explore the issues surrounding payday lending in the Mississippi Delta.

Summary of Findings from the Participant Registration/Survey

Prior to the start of the focus group, participants turned in a questionnaire asking participants to identify personal characteristics, as well as their options related to payday lending.

A. **Demographic Characteristics**

a. Total # of participants - 45
b. 91% (40) of the participants were female.
c. 29.2% of the participants were between 40 - 49 years of age.
d. 100% of the participants identified as African American/Black

B. Questions

Awareness and Perception:

a. What do you know about payday lending?
b. Share what you know about the concept of payday lending and how it works?
c. Have you ever used payday loans or considered doing so? If yes, what motivated you to seek such loans?

Experiences and Impact:

d. Have you encountered any challenges related to payday loans?
e. What were your experiences with interest rates, repayment terms, and fees?
f. How has payday lending affected your financial well-being?

g. Did it provide short-term relief or increased financial stress?

Alternatives and Decision-Making:

h. What alternatives did you consider before resorting to payday loans?

i. Are there other sources of emergency funds you explored?

j. · How did you make decisions about borrowing from payday lenders?

k. · What factors influence your choices?

Customer Protection:

l. What are your opinions on payday lending regulations?

m. Do you believe more protections are needed for borrowers?

n. Are you aware of the Consumer Financial Protection Bureau (CFPB) and its role in regulating payday lenders?

Wrap-Up: Financial Literacy and Education:

o. How informed are you about financial literacy?

p. Do you understand the true cost of payday loans?

q. Would you be interested in financial education programs that address payday lending and its risks?

Summary of Discussion Findings

The federal government defines payday loans as short-term, high-cost loans that are typically due on the borrower's next payday. These loans are usually for $500 or less and come with high annual percentage rates (APRs). The APR can be as high as 360% to 780% for a twoweek loan[12]. While there is no set definition, payday loans are characterized by their quick turnaround, small loan amounts, and high fees. (ftc.gov; consumerfinance.gov)

The focus group discussions revealed several cautionary themes related to payday loans. Participants emphasized the importance of informed decision-making and understanding the potential risks associated with these loans.

Common Themes and Cautions

1. **Read the Fine Print**: Participants consistently stressed the need to carefully read and understand the terms and conditions of payday loans. Hidden fees, repayment schedules, and interest rates can

significantly impact borrowers' financial well-being.

2. **Predatory Practices**: The term "predatory" came up frequently. Participants expressed concern about lenders taking advantage of vulnerable individuals, particularly those facing financial strain. They cautioned against falling into the trap of predatory lending practices.

3. **High Interest Rates**: The consensus was clear: payday loans come with very expensive interest rates. Borrowers should be aware that the annual percentage rate (APR) for these loans can reach astronomical levels, often exceeding 300% or more.
4. **Payback on Time**: Participants emphasized the importance of repaying payday loans promptly. Failing to do so can lead to a cycle of debt, as additional fees and interest accrue.
5. **Assess Necessity**: Borrowers expressed the need to critically evaluate whether they truly need the money before taking out a payday loan. Exploring alternate options was a challenge and borrowing from friends or family was NOT a good decision.
6. **Can It Wait?**: Participants encouraged borrowers to consider whether their financial situation could wait. If the need is urgent, they advised exploring other avenues before resorting to payday loans.
7. **Addiction and Dependency**: Some participants related payday loans to an addiction. Borrowers may become dependent on these loans, leading to a cycle of repeated borrowing and financial instability.
8. **All Money Is Not Good Money**: Borrowers should weigh the short-term benefit of payday loans against the long-term consequences. Sometimes saying "no" to quick cash is the best decision.

9. **Borrow Responsibly**: If borrowers must take out a payday loan, they should only borrow what they can realistically repay. Overextending can lead to a debt spiral.
10. **Interest, Interest, Interest**: The word "interest" echoed throughout the discussions. Participants urged caution, emphasizing that payday loans may initially interest borrowers but ultimately force a heavy payment.
11. **Avoid Irresponsible Borrowing**: Participants discouraged reckless borrowing. Borrowers should consider the impact on their financial stability and avoid unnecessary risks.

12. **Extra Fees and Charges**: Beyond interest rates, payday loans often come with additional fees. Participants highlighted the importance of understanding all associated costs.
13. **Read the Fine Print (Again)**: Reiterating the first point, participants emphasized the need to thoroughly read loan agreements. Hidden clauses can catch borrowers off guard.
14. **Fast, But at What Cost?**: While payday loans offer quick access to funds, participants reminded borrowers that speed shouldn't outweigh financial prudence.

The Upsides of Payday Loans:

1. **Convenience and Accessibility:**
   - Payday loans were the most reliable option for participants. The money helped for issues such as car repair, medical expense, or an overdue bill, these loans offered quick access to cash without the "extra" that comes with needing money from others.
2. **Emergency Funds at Your Fingertips:**
   - Participants described situations where these loans bridged

the gap until their next paycheck.

3. **Ease of Acquisition:**
    - According to participants, payday loans were easy to obtain then and now. The application process is straightforward, often involving minimal paperwork. You can apply online or visit a local storefront, and approval is swift.
4. **4. Immediate Relief:**
    - Participants echoed the response that payday loans provide help exactly when it's needed. "I got the help I needed at the moment," shared one participant. When urgency strikes, these loans offer immediate relief.
5. **Short-Term Assistance:**
    - The majority of the participants stated the loans started as a short term solution, but immediately snowballed into long-term financial struggles to get out.
6. **Prompt Disbursement:**
    - Payday loans did provide money quickly. For all participants, this promptness made a huge difference.

Occupations

The following occupations are grouped into categories based on similarities in tasks, skills, and responsibilities.

1. **Education and Training Occupations**:
    - Assistant Teacher * Substitute Teacher * Teacher * College Student
2. **Service Occupations:**
    - Cashier * Housekeeper * Waitress * Customer Service Representative
3. **Food Preparation and Serving Occupations:**
    - Cook

4. **Management Occupations:**
    - Co-Manager at Grocery Store * Assistant Manager
5. **Manufacturing and Production Occupations:**
    - Factory Worker * Machine Operator
6. **Healthcare Occupations:**
    - Nutritionist * ER Tech (Emergency Room Technician) * Primary Care Assistant
7. **Law Enforcement and Security Occupations:**
    - Correctional Officer * Jailer
8. **Retail Sales Occupations:**
    - Retail Worker
9. **Administrative and Office Support Occupations:**
    - Admin Assistant * Patient Accounts Rep * Transit Director
10. **Personal Care and Service Occupations:**
    - Hairdresser * Beautician
11. **Retired Individuals**

12. **Warehouse and Transportation Occupations:**
    - Warehouse Worker * Walmart Employee
13. **Financial Occupations:**
    - Insurance Adjuster * Career Coach

Feedback from the focus group participants implies there may be a connection between occupations and payday lending.

1. **Retail Workers (Cashiers, Retail Associates):**
    - **Impact**: Retail workers often face irregular schedules and low wages. When unexpected expenses arise, they may turn to payday loans for quick cash.
    - **Challenge**: High interest rates on payday loans can increase financial stress, leading to a cycle of debt.
2. **Factory Workers and Machine Operators:**
    - **Impact**: Factory workers and machine operators may encounter

emergencies (e.g., car repairs, medical bills) that require immediate funds.

- **Challenge**: Payday loans provide short-term relief but come with hefty fees. Borrowers may struggle to repay, leading to renewed loans.

3. **Service Industry (Waitresses, Housekeepers):**
   - **Impact**: Service industry workers often rely on tips and hourly wages. When faced with unexpected expenses, payday loans seem like a lifeline.
   - **Challenge**: The debt cycle can trap them, affecting their overall financial stability.
4. **Education and Healthcare Professionals (Teachers, ER Techs, Nutritionists):**
   - **Impact**: These professionals may encounter financial emergencies despite their critical roles.
   - **Challenge**: Payday loans can disrupt their financial well-being, impacting job performance and stress levels.
5. **Administrative Assistants and Customer Service Representatives:**
   - **Impact**: These officebased workers may face sudden expenses (e.g., medical emergencies, car breakdowns).
   - **Challenge**: Payday loans offer quick solutions but perpetuate financial instability.
6. **Transportation and Transit Workers (Transit Directors):**
   - **Impact**: Transit workers may need funds for personal emergencies or family needs.
   - **Challenge**: High interest rates can strain their budgets, affecting their ability to manage

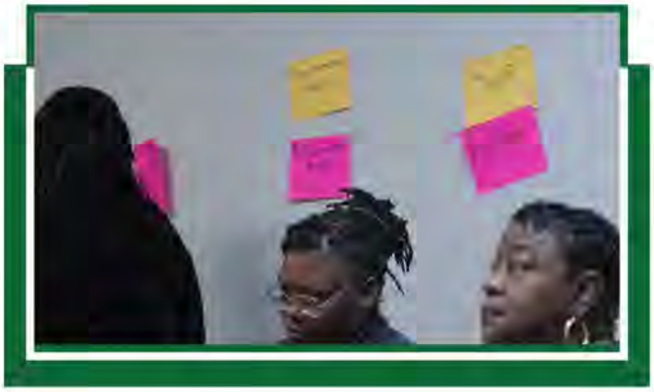
daily expenses.

7. **Retired Individuals:**
    - **Impact**: Retirees on fixed incomes may encounter unexpected costs.
    - **Challenge**: Payday loans can lead to a cycle of borrowing, impacting their financial security.
8. **Hairdressers and Beauticians:**
    - **Impact**: These professionals may face personal emergencies or businessrelated expenses.
    - **Challenge**: Payday loans can create stress and hinder their financial stability.
9. **College Students:**
    - **Impact**: Students often juggle tuition, living expenses, and part-time jobs.
    - **Challenge**: Payday loans may seem like a quick fix, but they can lead to long-term financial struggles.
10. **Management Roles (Assistant Managers, Co-Managers):**
    - **Impact**: Even managers face financial emergencies.
    - **Challenge**: Payday loans can disrupt their financial planning and stability.

Voices from the Focus Group: Unveiling Financial Literacy Needs

33 participants

In these five relaxed and intimate focus groups, 33 individuals closed the discussion with their list of financial literacy needs. Their stories and experiences painted a striking picture of the challenges they face and the



knowledge gaps they seek to bridge. Here's what they had to say:

1. **Budgeting (45%):**
   - Maria, a beautician, emphasized the significance of creating a budget. "It's like a roadmap for your money," she said. Participants nodded in agreement, sharing tips on tracking expenses, setting priorities, and avoiding overspending.

2. **Saving (39%):**
   - Dan, a retiree, spoke passionately about the importance of saving. "An emergency fund is like an umbrella on a rainy day," he quipped. The group discussed strategies for building savings, including not helping family and setting specific goals.
3. **Knowledge of Interest Rates (18%):**
   - Mary, a small business owner, raised her hand. "Understanding interest rates is crucial," she emphasized. The group delved into not reading the fine print that included rates, compound interest, and the impact on the loans and full payback amounts.
4. **Rebuilding Credit (21%):**
   - Mark, who had faced credit challenges, emphasized rebuilding credit. Participants discussed paying off debts, disputing errors, and responsible credit card use.
5. **Understanding Credit (15%):**
   - Lisa, a recent graduate, highlighted credit scores. "They impact everything," she said.
6. **Family Wealth (9%):**
   - Beth, a mother of three, emphasized passing down financial

knowledge. "Teach our kids," she urged.

7. **Home Ownership (6%):**
   - Rachel, a firsttime homebuyer, shared her excitement. "Owning a home is a dream," she said.
8. **Checking Writing (6%):**
   - Michael, an older participant, reminisced about writing checks. "It's a dying art," he chuckled. The group discussed balancing checkbooks and online banking.
9. **IRA (6%):**
   - George, nearing retirement, praised Individual Retirement Accounts (IRAs). "They're like treasure chests," he said.
10. **Loans (9%):**
    - Finally, Tim, a recent college graduate, shared his loan experience. "Student loans can be overwhelming," he confessed.

Why Participants Chose to Use Payday Lending – Personal Choice

1. Immediate Cash Needs
2. Convenience and Ease
3. Independence and Dignity
4. Financial Stress Relief
5. Emergency Situations
6. No Credit History Required
7. Avoiding Overdraft Fees
8. No Questions Asked
9. Speed of Approval
10. Temporary Cash Flow Gap

Personal Reasons – A Deeper Look

Based on the responses from 43 individuals, here's a percentage breakdown for each of the themes related to personal reasons people use payday loans:

1. **Privacy and Independence**: **23%**
    - Borrowers value privacy and independence. They prefer not to involve family or friends in their financial matters.
    - Some borrowers avoid asking family members for help due to pride or a desire to handle their own finances.
2. **Emergency Situations and Quick Access**: **21%**
    - Payday loans serve as a quick solution during emergencies. Borrowers need immediate cash for bills, rent, or unexpected expenses.
    - The convenience of payday loans—quick approval and disbursement—makes them appealing in urgent situations.
3. **Avoiding Judgment and Gossip**: **14%**
    - Borrowers may avoid judgment or gossip by turning to payday lenders. They don't want others to know about their financial difficulties.
    - Some borrowers have experienced negative reactions when asking family or friends for money.

4. **Financial Independence and SelfReliance**: **12%**
    - Borrowers strive to be financially independent. They want to handle their own financial challenges without relying on others.
    - Some choose payday loans to break free from the perception of being "spoiled" or dependent on family.
5. **Lack of Alternatives**: **9%**
    - When family and friends are unable to help, payday loans

become a last resort.
- Borrowers may lack access to other credit options due to poor credit or limited resources.

6. **Avoiding Family Drama and Obligations**: **7%**
    - Borrowers avoid family drama by seeking loans elsewhere.
    - Some borrowers have experienced issues when lending money to relatives who don't repay promptly.
7. **Immediate Bills and Expenses**: **5%**
    - Borrowers use payday loans to cover specific bills (e.g., electric bills, rent, furniture).
    - These loans provide a way to address pressing financial needs without delay.
8. **Helping Others and Being Independent**: **5%**
    - Some borrowers lend money to friends or help others, but when they need assistance, they turn to payday loans.
    - Independence is crucial for managing household finances.
9. **Overcoming Financial Challenges**: **4%**
    - Borrowers face various financial challenges, such as poor credit, addiction (e.g., gambling), or sudden emergencies.
    - Payday loans offer a lifeline during tough times.
10. **Perceived Ease and Accessibility**: **2%**
    - Borrowers find payday loans easy to obtain. The application process is straightforward, and credit checks are minimal.
    - The accessibility of payday lenders makes them a viable option.

Actual participant responses:

- Shame
- Pride
- Judgmental
- Family not being in a position to help
- Being independent
- Privacy
- Easy
- Family and friends talk too much
- Didn't want family and friends know I couldn't handle my money
- Family and friends were in the same boat
- Family would tell other other family
- Can't hold water
- They never had it (they said)
- Shame
- Not knowing if I could return the favor
- Embarrassment
- Rejection
- Want to do it my own way
- Wanted to get out of that "spoiled" category
- Developing myself outside of the family
- Quick
- No feedback or extra drama
- Everyone else says "I do it"
- I just didn't want to them to know
- I did not want to go to my family
- My electric bill
- For rent
- For furniture
- Got tired of asking my family for money
- Didn't want to ask anybody else

- Coworker recommended me to go to payday loan
- Everybody business isn't everybody business
- I never tell nobody what I do for someone else
- I stopped loaning money to relatives because they don't pay back and I have money issues afterwards
- I choose not to borrow money from my mom because she had her own bills
- I choose to borrow from my mom, my grandmother, aunt, and cousin because I know they will give it to me.
- I grew to be independent.
- I was usually the person people ran to and this time I needed someone to run to. Had no where to go.
- Unable to borrow from family and friends but would ask to borrow from me.
- Always willing to lend a helping hand
- Don't have nobody I can ask for help

- I'm always the helper
- Turned down when asked to borrow
- Don't like to ask for help
- They tell your business and gossip
- Don't want them to know what I was doing
- Didn't have good credit
- Didn't have good friends at the time
- Was trying to be independent and on my own
- Didn't like to ask others
- Addicted to gambling and lost my money
- Being independent
- Poor financial management

- Just because I knew I had a way out
- Didn't want to ask anyone
- Son needed my help
- I'm very independent when it comes to taking care of me and my household
- Did it to help a friend out
- Went to my family and friends and they said no
- Needed money for bills. No one had anything
- Couldn't borrow from nobody
- Nobody had nothing
- Didn't want to ask family members
- I was in a bad bind
- My credit wasn't good enough to go to the bank
- An emergency came up all at once and the payday shop was the quickest and easiest place.
- I wasn't going to family anymore
- My credit wasn't good enough

Personal Stories – Written by Participants

◦ *I have had to lend from multiple places without knowledge of financial literacy. One instance, I was able to do as needed then hit a slump when I could no longer receive the government assistance I had leaned on. This causes me to look towards borrowing regardless of the consequences. Although I struggled to get back on my feet, I learned to better manage funds, and do without.*

◦ *My experience with payday loans seems like it kept me in debt. Like every time a thought I was through with them I had to re-borrow because I was short on money. But one day I explained to my oldest* sibling what was going on. He gave me not loaned me gave me the money to pay it off and I did and never went back again.

- *When I was in a bind and needed extra money the payday loan was easy to access. When needed it I am glad that it was an option that I could use, and it did help in my time of need.*
- *As a person who has used payday lending, I have learned/ experienced the true value of a dollar. Every person's dollar has a value and because that person lets you use their dollar, they add another value. Don't become a person's dollar sign before you can be seen as a human to them.*
- *As a payday loaner borrower, I've learned to figure out another way to save money instead of payday loans. Keep your head strong. Mainly returned to God's word pay my tithes he will open doors and windows where you want have room to receive it. It works.*

- *As a payday lender, my story is basically to only borrow what is needed and not to use this method as a lending cycle if you are in a position to have to borrow money in the near future. Only use this option as a last resort in your access to getting money.*
- *I learned that if you don't need the money don't go get it. Try finding some other ways in getting the money you need. I was able to get out of debt with the payday loan after 2 years.*
- *As a MS native, payday lending was easily obtained, however no one discussed the down side. Everyone said it is easy and it solves problems. No one tells you about the spiral of not being able to repay o time and the immediate fear, depression, and guilt that happens when you can't. Ultimately just say "no".*
- *I am a former payday lending user. I experienced the good and the bad. The good was having them available to offer the service that I was denied elsewhere. The bad was having to pay back double the amount borrowed.*
- *It's a struggle to pay them back. You dig yourself into a bigger*

hole by taking out the loan.

- *As a former borrower, I started out with one and ended up with about 5 at one time. Actually, working for nothing trying to pay back the loans every pay period. Actually, for me there was no way out but thankfully at the end my sister stepped in and paid them off once she found out my situation.*
- *I have been in situations where I have not been smart with my finances. As a youth I never had access to money on a regular basis so, I feel that I lacked and still lack discipline as it relates to finances. I had gotten a custom to over drafting my account to make ends meet. Lately I have learned how to bring in more income but still struggle to manage finances.*

- *I was working as a daycare worker and had to have medical bills that needed to be paid but I had no other option but to go to a payday loan and borrow money. I borrowed the money but didn't know I was going to be in debt for a while. The fees were so high that I had to keep borrowing until I got enough money to get out of debt and right today, I am a witness to how high the fees are today and be there to tell other people.*
- *The experience I got out of today is that when we are in a bind a lot of us have turned to check cashing places because where there not because they helped us in the long run. Iused to go at the time because I needed to help a child of mine that was out of town and needed to get money for her right quickly.*
- *I am thankful for the process. It gave me help during my time of need. Also, it showed me areas where I lacked and gave me a greater hunger to financially educate myself.*
- *Payday lending allowed me to help my family during a difficult time of losing family members. I learned to plan for the unexpected but know its ok to need a resource during seasons of your life.*

Using payday lending was only beneficial for the moment.

- *I was a full-time student and Walmart associate looking to make ends meet for rent and car note. The payday loan, though expensive in the end, did take away a lot of immediate stress.*
- *I often use payday loans for the fact it's very easy to get and I just don't wait to be without or ask anyone for anything.*
- *Using payday lending was only beneficial for the moment. It helped to get out of one bind but placed into another due to interest rates. This experience has taught me to put up an emergency fund.*
- *I spent over $1000 in interest rates for money that I could have saved if I knew better.*
- *As a former user of payday loans, I have learned that not all needs are necessary. Sometimes what we think we "really need" can wait a little while longer. I can't be afraid to wait. Not all money is "good" money. Payday loans are just like trouble. . . easy to get in but hard to get out of. "Think twice, maybe thrice."*
- *I started my payday lending journey back in 2007. I used payday loans to help with my two children, bills, and unexpected expenses. I went into this with rose tented glasses, thinking it would be easy and doable. Although the process was very easy but the interest and pay back wasn't. There were times that I couldn't pay the full loan back and wanted to be done but I was allowed to pay only the interest and rewrite. I hated those processes, but I got through. I was finally able to be done with this awful thing and process in 2018.*

Conclusion

Overall, payday loans can be a double-edged sword. While they provide immediate relief, borrowers must exercise caution, fully comprehend the terms, and explore alternatives before committing to these highcost loans. Responsible decision-making is crucial to avoiding the pitfalls associated with payday lending.

Policy Analysis: Payday Lender Laws in Mississippi & Arkansas

Research funded by the Robert Wood Johnson Foundation

HIGHER PURPOSE HUB

Center for Rural Strategies

Institute for the Advancement of Minority Health

SSAL socio-spatial analysis laboratory

Insights into Payday Lending Regulations in Mississippi

Mississippi, emblematic of economic challenges prevalent in the region, stands as one of the most economically disadvantaged states in the United States. The ramifications of this economic strain manifest in the high demand for short-term loans, creating a landscape where financial vulnerability is both widespread and persistent. Despite concerted efforts by Mississippi regulators to curb the predatory practices of payday lenders, the success of such endeavors has been limited, leaving many residents grappling with the enduring burden of exorbitant loan terms.

The payday lending industry, notorious for its controversial practices, continues to thrive in Mississippi, circumventing regulatory measures with a resilience that underscores the complexities of addressing financial inequities. The state's regulatory authorities have attempted to impose more stringent restrictions on payday loans, recognizing the detrimental impact these highinterest, shortterm loans can have on vulnerable communities. However, these efforts have yielded minimal success, leaving a gap through which payday lenders exploit a legal loophole.

One such loophole centers around the permissibility of multiple $250, 2-week loans. While regulators may have capped the maximum amount for a 30-day loan at $500, payday lenders strategically utilize the 2-week loan provision to maximize profits. This legal maneuver allows lenders to issue multiple smaller loans, each carrying its own set of fees and interest rates, ultimately proving more lucrative than adhering to the limitations imposed on the larger, longerterm loans.

In essence, the persistence of payday loans in Mississippi is a testament to the challenges of regulating an industry adept at adapting to legal constraints. As the state grapples with economic disparities, the cycle of short-term loans perpetuates, posing a formidable obstacle to the realization of sustainable financial wellbeing for its residents. Efforts to address this issue must not only focus on regulatory interventions but also consider broader economic strategies to uplift the state from its current socioeconomic predicament.

What constitutes a payday loan?

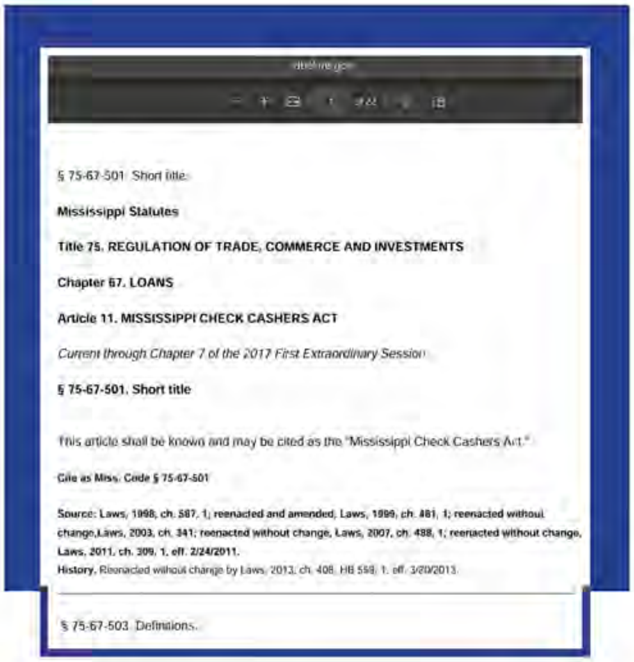
Termed as cash advance loans, delayed deposit loans, and deferred presentment loans, payday loans involve a borrower issuing a check to a lender in return for a brief infusion of cash. Notably, the lender refrains from cashing the check until a predetermined future date as outlined in the agreed upon terms.

What happens when you get a payday loan?

When you take out a payday loan, the lender will ask you to sign an agreement that shows how much money you've requested, the Annual Percentage Rate (APR), and other important details. You'll also need to give them a personal check for the loan amount plus the fee. The agreement might allow the lender to take the money directly from your bank account. You have the option to cash in the check by the due date, or if you don't, the lender might deposit it or automatically withdraw the loan amount from your account on the due date.

What's the highest amount someone can borrow?

According to the Mississippi Check Cashers Act, the maximum borrowing limit is set at $410. To illustrate, if a borrower writes a check for $500, pays a $90 fee, they will receive $410 in cash. It's important to note that writing a check for an amount exceeding $500 is against the law.



§ 75-67-501. Short title.

Mississippi Statutes

Title 75. REGULATION OF TRADE, COMMERCE AND INVESTMENTS

Chapter 67. LOANS

Article 11. MISSISSIPPI CHECK CASHERS ACT

Current through Chapter 7 of the 2017 First Extraordinary Session

§ 75-67-501. Short title

This article shall be known and may be cited as the "Mississippi Check Cashers Act."

Cite as Miss. Code § 75-67-501

Source: Laws, 1998, ch. 587, 1; reenacted and amended, Laws, 1999, ch. 481, 1; reenacted without change,Laws, 2003, ch. 341; reenacted without change, Laws, 2007, ch. 488, 1; reenacted without change, Laws, 2011, ch. 309, 1, eff. 2/24/2011.

History. Reenacted without change by Laws, 2013, ch. 408, HB 558, 1, eff. 3/20/2013.

§ 75-67-503. Definitions.

What are the costs associated with obtaining a payday loan?

As per Mississippi regulations, a lender is permitted to charge a maximum fee of $20.00 for every $100 borrowed for checks valued up to $250.00. This means that the lender has a choice to chargeless interest rates but they choose to charge higher for personal gain. For checks ranging from $251.00 to $500.00, the allowed fee increases slightly to no more than $21.95 for every $100 advanced.

Is it possible to renew or extend a payday loan by simply paying the fee?

No, renewing, extending, or rolling over a payday loan solely by paying the fee is prohibited by law. It is a legal requirement that the entire payday loan amount be fully repaid before entering into another payday loan transaction. Any suggestion by lenders to only pay the fee for renewal should be reported. It's crucial to adhere to the legal repayment terms and avoid engaging in practices that may lead to additional financial strain. Report any lender promoting feeonly renewals to ensure compliance with regulations and protect individuals from potential predatory lending practices.

What additional fees can be linked to a payday loan?

In addition to the initial borrowing fee, there are other potential fees tied to payday loans. If your deposited check is returned unpaid, the lender may impose a single Non-Sufficient Funds (NSF) fee, capped at $30, provided it was clearly disclosed in the loan agreement. It's crucial to carefully review the terms to ascertain any potential NSF fees.

Furthermore, if a court awards judgment in favor of the lender due to a returned check, you may be liable for additional costs. This could include courtrelated expenses, attorney's fees, and any fees mandated by the court. It is essential to be aware of the potential legal consequences and financial implications associated with bounced checks in the context of payday loans. Understanding the comprehensive fee structure ensures borrowers are fully informed about the financial commitments and potential consequences of nonpayment.

Can I face legal consequences, including arrest, for failing to repay my payday loan?

No, you cannot be arrested for not paying back a payday loan. It is against the law for lenders to use criminal prosecution or threats of arrest as a means to collect on a payday loan. However, it's important to note that the lender does have the right to pursue legal action through civil court. In the event of non-repayment, the lender may file a civil lawsuit to recover the outstanding debt. While criminal charges are not a risk, borrowers should be aware of the potential legal ramifications in the civil court system and should take steps to address repayment concerns proactively to avoid legal actions.

Can I have more than one payday loan at one time?

Yes, it is permissible to have more than one payday loan with a lender in Mississippi. However, it's important to note that the total amount borrowed, including associated fees, should not surpass $500. While there is flexibility

in obtaining multiple loans, it is advisable to exercise caution. If the initial payday loan did not adequately address your financial challenges, obtaining a second loan may exacerbate your difficulties. Accumulating multiple payday loans increases the financial burden and makes it progressively challenging to repay them in full. It is crucial to consider the potential consequences of taking on additional loans and explore alternative financial solutions to address your needs more effectively. Responsible financial management involves a thoughtful evaluation of your repayment capabilities and a strategic approach to handling shortterm borrowing.

Mississippi Payday Loan Law and Legislation

The Consumer Financial Protection Bureau (CFPB) assumes a pivotal role in illuminating the intricate web of consumer concerns within Mississippi through its exhaustive database. This repository, the CFPB Consumer Complaint Database, serves as a reservoir of invaluable insights into the diverse array of challenges faced by Mississippi consumers. As per the data gleaned, the spectrum of issues spans a multitude of financial dimensions. Foremost among these are concerns related to fraud and threats, indicating the prevalence of deceptive practices impacting the state's consumers. The database further highlights instances where individuals grapple with the complexities of existing debt, underscoring the need for transparent and fair debt resolution practices.

Unauthorized charges from accounts emerge as another significant concern, pointing to potential vulnerabilities in financial transactions. Moreover, grievances related to unrequested loans underscore the importance of ensuring ethical and responsible lending practices within the state. The challenges extend to difficulties in accessing lenders, reflecting potential gaps in the availability or accessibility of financial services. Issues related to loan repayment illuminate the intricacies of meeting financial obligations, while concerns about credit ratings emphasize the broader repercussions on individuals' financial wellbeing.

Crucially, the database sheds light on instances where the loan amount is not received, offering a glimpse into potential lapses in the lending process. This wealth of consumer feedback, spanning a myriad of financial topics, paints a comprehensive picture of the financial landscape in Mississippi. It not only facilitates a nuanced understanding of the challenges faced by residents but also provides a robust foundation for regulatory authorities to focus their efforts on areas that warrant improvement and enhanced consumer protection. The CFPB's commitment to transparency and advocacy resonates through this database, transforming it into an indispensable resource that empowers both consumers

and regulatory entities in navigating the intricacies of the financial landscape.

Mississippi Payday Lending Statutes

In the state of Mississippi, the legal framework governing payday lending is outlined in Statute 75-67-501 et seq., commonly referred to as the Check Cashers Act. This legislation serves as a comprehensive regulatory mechanism, overseeing and monitoring the operations of all lending businesses within the state. Specifically, payday loans fall under the category of "Deferred and delayed deposits" as defined in §75-67-519 of the Act. The detailed regulations governing payday lending are intricately woven into the fabric of this legislative framework, coexisting with regulations pertaining to check cashers. The Check Cashers Act not only provides a legal foundation for the existence of payday lending but also establishes a set of guidelines and standards that lending entities must adhere to, ensuring a structured and regulated environment for the provision of deferred and delayed deposit services. This legal structure reflects the state's approach to balancing the availability of short-term financial services with the need for consumer protection and fair business practices within the payday lending industry.

Mississippi Consumer Complaints: CFPB Database Insights

Exploring the Consumer Financial Protection Bureau (CFPB) Database provides illuminating insights into the concerns voiced by Mississippi consumers. The data reveals a spectrum of issues, with fraud and threats topping the list with 77 complaints. Notably, 39 complaints pertain to challenges in exiting debt, while 37 highlight unauthorized charges from accounts. Instances of unrequested loans constitute 13 grievances, emphasizing the significance of clear and transparent lending practices.

Additionally, the database indicates nine instances each of consumers facing difficulties with loan repayment, encountering unavailability of lenders, and experiencing issues with credit ratings. Six complaints are registered concerning loans not being received, further emphasizing the multifaceted challenges consumers navigate in the financial landscape. These CFPB Database insights serve as a valuable resource for understanding the dynamics of consumer experiences and offer a foundation for regulatory considerations and consumer protection initiatives in Mississippi.

The History of Payday Loans in Mississippi

Year	Development
1998	Exemption from 36% APR usury cap for payday lenders
2003	Introduction of 7, 14, and 30day loan terms
2006	Military Lending Act imposes 36% APR cap for military
2012	Creation of 2012 Check Cash Cashing Act, introducing a loophole allowing multiple loans of up to $250 for 14 days each
2016	Mississippi Senate approves installmentloan legislation
2016	CFPB proposed Payday Loan Rule, set to take effect in November 2020, uncertain impact on Mississippi's payday lending practices

This table summarizes the key legislative developments related to payday loans in Mississippi over the years.

Overview of the legislative history of payday loans in Mississippi:

Before 1998, all lenders in Mississippi, irrespective of the loan amount, were constrained by a 36% Annual Percentage Rate (APR) usury cap, ensuring that borrowers were protected from excessively high interest rates. However, a significant shift occurred in 1998 when the Mississippi Legislature enacted a law that granted an exemption to payday lenders from the 36% APR cap. This legislative change permitted payday lenders to charge as much as $21.95 per $100 for loans of $400 or less, substantially increasing the cost of short-term borrowing.

The regulatory landscape in 2003 marked a pivotal juncture in the evolution of lending practices in Mississippi. During this period, legislative changes brought about a significant shift by expanding the permissible loan terms to include 7, 14, and 30-day durations. This extension was intended to introduce greater flexibility into the lending framework, accommodating borrowers with diverse financial needs and repayment capabilities. However, this expanded flexibility also came with consequential implications, particularly in the realm of Annual Percentage Rates (APRs).

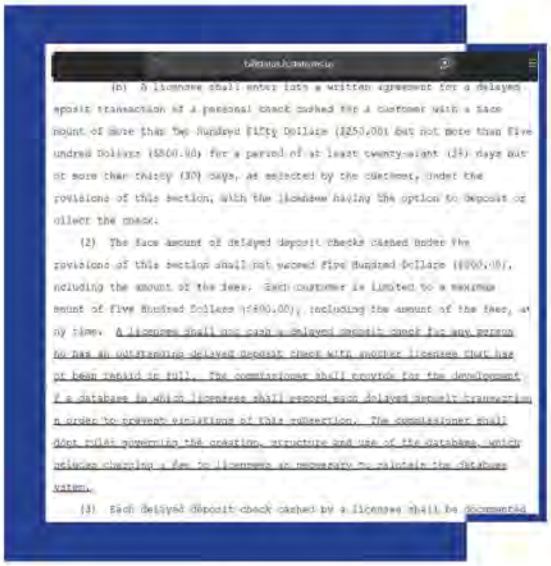
While the extended loan terms provided borrowers with more options for tailoring their repayment schedules, it concurrently paved the way for substantially higher APRs. The flexibility introduced by the 7, 14, and 30day loan terms brought about a nuanced financial landscape where-in borrowers, while gaining more choices, also faced the potential burden of increased interest charges. The expanded loan terms, coupled with the corresponding rise in APRs, underscored the intricate balance between borrower flexibility and the financial challenges posed by heightened interest rates.

This legislative development in 2003 exemplifies the ongoing complexities in regulating the payday lending industry, attempting to strike a delicate equilibrium between providing options for borrowers and safeguarding them from the adverse impacts of exorbitant interest rates. The repercussions of this expansion laid bare the dual nature of regulatory decisions, shaping the lending environment while simultaneously influencing the financial wellbeing of those seeking short-term financial solutions in Mississippi.

The pivotal year of 2006 brought forth a significant federal intervention in the form of the Military Lending Act, marking a critical juncture in the regulatory landscape governing payday loans in Mississippi. The Military Lending Act, a sweeping federal initiative, implemented a stringent cap of 36% Annual Percentage Rate (APR) specifically on payday loans extended to military personnel. Notably, this cap applied universally without any exceptions within the state of Mississippi. The primary objective behind the enactment of this legislative measure was to shield service members from the perils of predatory lending practices prevalent within the payday loan industry.

The imposition of the 36% APR cap served as a robust protective shield for military personnel, acknowledging their unique financial vulnerabilities and ensuring that they were not subjected to exorbitant interest rates commonly associated with payday loans. By enacting this federal safeguard, policy-makers sought to fortify the financial well-being of service members, recognizing the sacrifices they make in service to their country. This legislative move exemplified a conscientious effort to curtail exploitative lending practices and uphold the financial rights and security of military members, aligning with broader national commitments to safeguard the interests of those serving in the armed forces. The Military Lending Act, with its resolute stance on APR limits, stood as a testament to the dedication to ensuring fair and equitable financial practices for the men and women in uniform stationed in Mississippi and across the United States.

In 2012, attempts to eliminate the exemption granted to payday lenders faced a setback with the creation of the 2012 Check Cashers Act. This act not only legalized payday lending permanently but also introduced a loophole. This allowed lenders to issue multiple loans, each with a maximum of $250 for 14 days, enabling them to accrue higher fees and potentially increasing the financial burden on borrowers.



(b) A licensee shall enter into a written agreement for a delayed eposit transaction of a personal check cashed for a customer with a face mount of more than Two Hundred Fifty Dollars ($250.00) but not more than Five undred Dollars ($500.00) for a period of at least twenty-eight (28) days but ot more than thirty (30) days, as selected by the customer, under the rovisions of this section, with the licensee having the option to deposit or ollect the check.

(2) The face amount of delayed deposit checks cashed under the rovisions of this section shall not exceed Five Hundred Dollars ($500.00), ncluding the amount of the fees. Each customer is limited to a maximum mount of Five Hundred Dollars ($500.00), including the amount of the fees, at ny time. A licensee shall not cash a delayed deposit check for any person ho has an outstanding delayed deposit check with another licensee that has ot been repaid in full. The commissioner shall provide for the development f a database in which licensees shall record each delayed deposit transaction n order to prevent violations of this subsection. The commissioner shall dopt rules governing the creation, structure and use of the database, which ncludes charging a fee to licensees as necessary to maintain the database ystem.

(3) Each delayed deposit check cashed by a licensee shall be documented

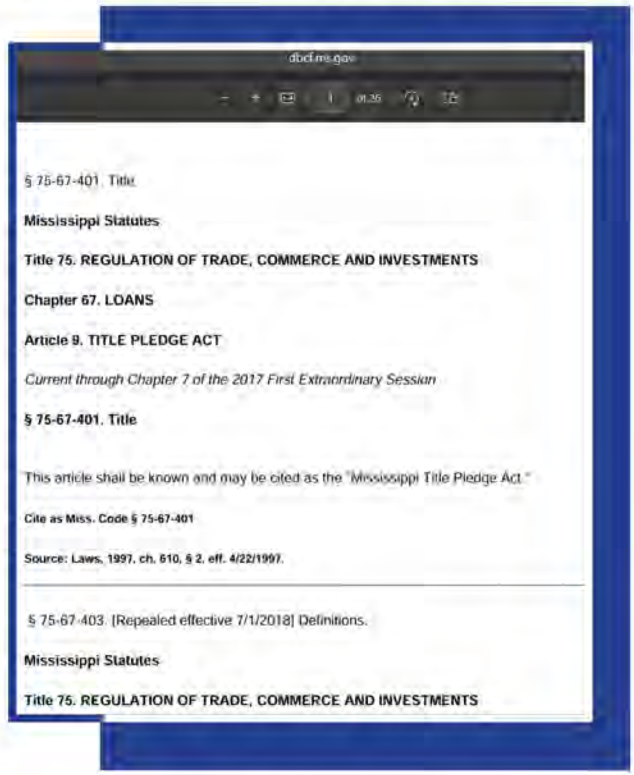
The year 2016 brought another development as the Mississippi Senate, instead of restricting the high-cost loan industry, approved installment-loan legislation. This alternative form of lending presented a different financial landscape, providing borrowers with a potentially extended repayment period.

On June 2, 2016, the Consumer Financial Protection Bureau (CFPB) proposed a Payday Loan Rule scheduled for November 2020. The rule, while aimed at regulating payday lending practices, left uncertainties regarding its implementation and the potential impact it might have on Mississippi's payday lending landscape. The evolving nature of regulations and the persistent challenges in thepayday loan industry underscore the ongoing efforts to strike a balance between consumer protection and the interests of the lending market.

This overview highlights the gradual evolution of payday lending regulations in Mississippi, with legislative changes impacting interest rates, loan terms, and the industry's overall landscape. However, it is unknown whether the rule will ever come into effect. And it is equally hard to say, provided that it will, whether it will effectively close the loophole for payday lenders in Mississippi, or not.

Mississippi Title Pledge Act Background

The Mississippi Title Pledge Act was passed in 2018 under the House Bill 811. It was brought to the House by representatives Kathy Sykes (D) and Jason White and signed by Governor Phil Bryant. Mississippi Statute 75-67-419 requires all title pledge lenders operating in the state to obtain a license from the Department of Banking and Consumer Finance. The Mississippi Legislature enacted the licensing requirement to ensure that title pledge lenders do not engage in unethical business practices. To provide financial security for the enforcement of the licensing law, title pledge lenders must purchase and maintain a surety bond to be eligible for licensure. The act is designed to protect the public from financial harm if the title pledge lender commits fraud or engages in unfair business practices.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§ 75-67-401. Title

Mississippi Statutes

Title 75. REGULATION OF TRADE, COMMERCE AND INVESTMENTS

Chapter 67. LOANS

Article 9. TITLE PLEDGE ACT

Current through Chapter 7 of the 2017 First Extraordinary Session

§ 75-67-401. Title

This article shall be known and may be cited as the "Mississippi Title Pledge Act."

Cite as Miss. Code § 75-67-401

Source: Laws, 1997, ch. 610, § 2, eff. 4/22/1997.

§ 75-67-403. [Repealed effective 7/1/2018] Definitions.

Mississippi Statutes

Title 75. REGULATION OF TRADE, COMMERCE AND INVESTMENTS

Some key aspects of the act are:

- Bond limit: This is determined on a case-by-case basis (based on the amount of company or branch locations)
- It is required for all title pledge lenders operating in Mississippi
- It is regulated by the Mississippi Department of Banking and Consumer Finance
- The lowest cost for a Mississippi Title Pledge Bond is around \$188 or \$19 a month.

In completing the title pledge transaction form, the title pledge lender shall record the following information, which shall be typed or written indelibly and legibly in English:

- (a) The make, model and year of the titled personal property to which the pledged property relates.
- (b) The vehicle identification number, or other comparable identification number, along with the license plate number, if applicable, of the titled personal property to which the pledged property relates.
- (c) The name, address, date of birth, physical description, Social Security number of the pledgor and one (1) photo identification.
- (d) The date of the transaction.
- (e) The identification number and the type of identification (including the issuing agency) accepted from the pledgor.
- (f) The amount of money advanced, which shall be designated as the "amount financed."
- (g) The maturity date of the title pledge agreement, which shall be thirty (30) days after the date of the transaction.
- (h) The total title pledge service charge payable on the maturity date, designated as the "finance charge."
- (i) The total amount (amount financed plus finance charge) which must be paid to redeem the pledged property on the maturity date, designated as the "total of payments."
- (j) The annual percentage rate, computed in accordance with the regulations adopted by the Federal Reserve Board pursuant to the Federal Truth in Lending Act.

What Is the Purpose of the Mississippi Title Pledge Act Bond?

In the state of Mississippi, the stringent regulatory framework governing title pledge lenders mandates a crucial step in their licensure process – the purchase of a surety bond. This obligatory bond requirement is an integral component of the application process, serving as a protective measure to ensure accountability and financial redress in the event of noncompliance with the regulations stipulated in Mississippi Statutes Title 75, Chapter 67, Article 9.

The surety bond functions as a financial guarantee, providing restitution to any aggrieved party in the unfortunate scenario where a title pledge lender fails to adhere to the stipulated regulations. Specifically, the bond acts as a safeguard against potential malfeasance, fraud, or engagement in unfair business practices by the title pledge lender. It serves as a monetary resource that can be tapped into to address and rectify any financial harm caused by the lender's noncompliance with the prescribed standards.

In essence, the surety bond serves as a form of insurance, offering protection to the public at large in the event of a title pledge lender violating the terms of their license. This critical financial instrument not only underscores the state's commitment to fostering fair and ethical business practices within the title pledge lending industry but also ensures that individuals and entities engaging with title pledge lenders are safeguarded against any potential misconduct. As a result, the surety bond plays a pivotal role in upholding the integrity of the title pledge lending sector in Mississippi, reinforcing the importance of regulatory compliance and consumer protection within the financial landscape.

> "In essence, the surety bond serves as a form of insurance..."

How Is the Bond Amount Determined?

In accordance with regulations stipulated by the Mississippi Department of Banking and Consumer Finance, title pledge lenders are required to meet specific bonding obligations outlined under the Title Pledge Act. Notably, the bond amount mandated by this regulatory framework is set at $50,000 for every individual company or branch location operating under the umbrella of a title pledge lender license. This implies that each licensed entity, whether it be the main company or a distinct branch, must secure a surety bond of $50,000.

It is essential to highlight that these bonding requirements are structured with a comprehensive perspective on the industry, and the regulations enforce a maximum limit on the aggregate bond amount that a title pledge lender can hold. The established cap ensures that title pledge lenders operate within reasonable financial constraints and maintain the necessary financial backing to fulfill their obligations and responsibilities.

In practical terms, the Title Pledge Act sets a ceiling on the cumulative bond limit, capping it at $250,000. This means that even if a title pledge lender has multiple company branches, each securing a $50,000 bond, the overall bonding obligation for the entire licensed entity cannot exceed the designated limit of $250,000.

These bonding specifications not only emphasize the state's commitment to financial responsibility within the title pledge lending sector but also provide a structured framework that promotes accountability and ensures that title pledge lenders possess adequate financial resources to address potential liabilities and protect the interests of the public they serve.

Is a Credit Check Required for the Mississippi Title Pledge Act Bond?

Surety companies will run a credit check on the applicant to determine eligibility and pricing for the Mississippi Title Pledge Act bond. Title pledge lenders with excellent credit and work experience can expect to receive the best rates. Title pledge lenders with poor credit may be declined by some surety companies or have to pay higher rates. The credit check is a "soft hit", meaning that the credit check will not affect the applicant's credit.

How Much Does the Mississippi Title Pledge Act Bond Cost?

The cost of the Mississippi Title Pledge Act bond typically ranges between 0.5% to 5% of the bond amount annually, with the added convenience of monthly subscription options for title pledge lenders. The determination of these rates rests in the hands of insurance companies, who consider various factors such as the credit score and experience of the customers associated with the title pledge lender. For a $50,000 bond requirement, the chart below provides a succinct reference to the approximate bond cost, reflecting the dynamic nature of rates influenced by individual circumstances and risk factors.

Mississippi Title Pledge Act Bond Costs

Credit Score*	Bond Cost (1 Year)	Bond Cost (1 month)
720+	$188	$19
680 – 719	$225	$23
660 679	$350	$35
649 – 659	$500	$50
629 – 648	$750	$75
600 – 628	$1,250	$125
580 – 599	$1,750	$175
550 – 579	$2,000	$200
525 – 549	$2,500	$250
500 – 525	$3,000	$300

Title Pledge Lending in Mississippi: Regulations and Licensing

Mississippi delineates a "Title Pledge Lender" as an entity engaged in title pledge agreements, a financial transaction characterized by shortterm, highinterest loans where a borrower's titled personal property serves as collateral. In essence, individuals seeking immediate financial assistance can pledge their valuable possessions to secure the loan. However, the definition incorporates essential exemptions, notably excluding banks subject to regulation by the Department of Banking and Consumer Finance. This exemption acknowledges the stringent oversight and regulatory framework applicable to banks, distinguishing them from other entities involved in title pledge lending. Additionally, entities eligible for insurance are also exempted, recognizing specific financial institutions that adhere to insurance eligibility criteria. These exemptions underscore the regulatory nuances within Mississippi's financial landscape, establishing clear distinctions and standards for entities involved in title pledge lending activities.

To become licensed in Mississippi, title pledge lenders must follow a structured process:

1. ***License Period:***
    - The licensing period is from January 1st to December 31st.
2. ***Purchase a Surety Bond:***
    - Title pledge lenders are required to purchase and maintain a surety bond.
3. ***Complete the Application:***
    - Application submission, including a background check through the National Multistate Licensing System & Registry (NMLS), is mandatory. The application carries a $750 initial license fee, and proof of registration with the Mississippi Secretary of State is also required.

Renewals and Insurance Requirements:

Renewal of licenses for title pledge lenders occurs online through the NMLS website, with applications due by December 1st and subject to a standard $475 fee. Regarding insurance requirements, title pledge lenders in Mississippi are not mandated to purchase liability insurance but must obtain and maintain a surety bond.

To file their bonds, lenders should submit completed forms, including a power of attorney, electronically through the NMLS. The surety bond must bear signatures from both the surety company and a representative from the title pledge lender business, providing essential details such as the bond number, the individual purchasing the bond, and the surety company's name.

Credit Availability Act in Mississippi

The Mississippi Credit Availability Act, introduced by Republican Representative Hank Zuber III in 2016, aimed to provide shortterm loans with a binding contract not primarily based on credit reports. The Act passed, allowing installment loans with a cap of 25% monthly interest and an annual interest rate of 297%. The installment loan provides legal recourse for lenders, allowing court judgments for non-payment.

Despite some resistance and lobbying from the payday lending industry, the Act has remained unchanged, with no reduction in the annual interest cap. Notably, Mississippi lawmakers, in 2013, removed the requirement for periodic renewal of the statute, effectively authorizing payday lending permanently.

Contributions from industry-related entities to lawmakers, including Sen. Rita Parks and Rep. Hank Zuber III, have been notable. Political action committees like Financial Service Centers of Mississippi and Lender's PAC have made substantial contributions, reflecting the influence of the lending industry.

Borrower's Rights and Responsibilities with Credit Availability Loans

- Right to Rescind: Borrowers can cancel the transaction within one business day; however, accepting funds voids the right, and origination fees become nonrefundable.
- Handling and Origination Fees: Borrowers may be charged monthly handling fees and origination fees based on the loan amount.
- Loan Terms: Loans of $500 or less must be repaid in 4 to 6 months, while those exceeding $500 and up to $2,500 must be repaid in 6 to 12 months.
- Lender's Rights in Default: Lenders may charge late fees and, if default extends beyond 60 days, additional fees related to thirdparty involvement, court costs, and collateral repossession.

Understanding these regulations, licensing procedures, and borrower rights is crucial for both lenders and borrowers involved in title pledge and credit availability loans in Mississippi.

Arkansas Payday Loan Information

In contrast to Mississippi, where payday loans persist despite regulatory efforts, Arkansas has taken a firm stance against such lending practices. State law, specifically H.B. 2021, prohibits payday loans, establishing a cap of 17% for all consumer loans. The Attorney General's office in Arkansas has been diligently working to eradicate payday lending within the state, though not all endeavors have been entirely successful. Despite the absence of physical storefront payday lenders in Arkansas, online platforms still offer usurious loans, posing challenges to complete elimination.

These key statutes, namely H.B. 2021 and H.B. 259, alongside provisions within the state's constitution, collectively enforce a comprehensive ban on payday loan operations in Arkansas unless they strictly adhere to the stringent 17% usury cap. Notably, Arkansas holds a distinctive position as the only state in the U.S. where a usury limit is explicitly enshrined in its constitution, underscoring the state's steadfast commitment to curbing highinterest lending practices within its borders.

Consumer loans in Arkansas are subject to a maximum interest rate of 17% APR. Furthermore, the maximum rate that can be charged on a consumer loan or credit sale is constrained to the lesser of 17% or 5% over the Federal Discount Rate, as specified in the Arkansas Constitution (Const. Art. XIX §13). Arkansas courts, guided by constitutional amendments like Amendment 60, have asserted that any lender charging interest rates exceeding the legally permissible limits engages in illegal lending with excessively high rates.

Despite these regulatory measures, consumer complaints in Arkansas reveal persistent issues. According to the Consumer Financial Protection

Bureau (CFPB) Consumer Complaint Database, common grievances include fraud and threats, difficulties in exiting debt, unauthorized charges from accounts, unrequested loans, unavailability of lenders, challenges in loan repayment, concerns about credit ratings, and instances where the loan amount is not received.

While Arkansas has made significant strides in curbing payday lending, the existence of online platforms providing usurious loans underscores the ongoing challenges in completely eradicating these practices and addressing consumer complaints effectively. The state's continued vigilance is essential in refining and reinforcing regulatory measures to protect consumers from predatory lending practices.

The Evolving Landscape: A Historical Perspective on Payday Loans in Arkansas

The trajectory of payday loans in Arkansas unveils a complex legislative history marked by attempts at regulation and subsequent legal battles. In 1999, the Arkansas Legislature passed the Check Cashers Act, ostensibly to license and regulate check cashing and deferred presentment transactions businesses. Paradoxically, this regulation seemingly legitimized usurious payday lending practices in the state. The 2000s witnessed the emergence of the RentABank scheme, a controversial usurious loan practice that gained traction nationwide. The Federal Deposit Insurance Corporation intervened on April 16, 2007, by seizing the last bank collaborating with ACE Cash Express in Arkansas, effectively putting an end to this deceptive strategy.

In 2006, the enactment of the Military Lending Act imposed a 36% APR cap on payday loans for military personnel, leading to the withdrawal of Advance America from the payday loan market for the military, not just in Arkansas. A pivotal moment occurred on November 6, 2008, when the Arkansas Supreme Court ruled the 1999 Check Cashers' Act unconstitutional, thereby sounding the death knell for the payday loan industry in the state.

Subsequent to this legal setback, the Arkansas Attorney General took decisive action, issuing cease and desist letters to registered Check Cashers and cracking down on illegal brokers in 20082009. By August 11, 2009, the last payday lending business had exited Arkansas, marking a significant milestone in the state's effort to eradicate payday lending.

In 2018, a new development emerged as some banks, including U.S. Bank, introduced the Simple Loan product nationwide, with 39 branches in Arkansas. These loans, despite the 17% Arkansas usury cap, carried APRs ranging from 7088%. However, payday loans remained officially illegal in the state, highlighting the ongoing challenges and adaptations in the financial landscape as regulatory measures evolved over time.

A Comparative Analysis of Payday Loans & Lending Regulations in Mississippi and Arkansas

This chart provides a concise comparison of key aspects related to payday loans and lending regulations in Mississippi and Arkansas.

Aspect	Mississippi	Arkansas
Legislation	Regulated under the Check Cashers Act	Prohibited under state law (H.B. 2021)
Loan Amvounts	Maximum of $410 under the Mississippi Check Cashers Act	Prohibited, no specified maximum loan amount
APR Limit	Varies; Up to $20.00 per $100 for checks up to $250.00, up to $21.95 per $100 for checks $251.00 to $500.00	Strict 17% APR limit, constitutionally mandated
Renewals	Not allowed; Loans must be fully paid before entering another transaction	Prohibited, no renewals or extensions allowed
Consumer Protection	Regulatory attempts, but payday lending industry persists	Strong consumer protection with an outright ban

Chart Overview:

This chart above offers an overall comprehensive comparison of the regulatory landscape governing payday loans in Mississippi and Arkansas. In Mississippi, payday lending operates under the Check Cashers Act, with a maximum loan amount of $410 and variable APRs. Despite regulatory attempts to protect consumers, the payday lending industry persists. In contrast, Arkansas has taken a more stringent approach, outright prohibiting payday loans under state law (H.B. 2021) and enforcing a strict 17% APR limit mandated by the state constitution. This comparison highlights the differences in legislative strategies, loan amounts, APR restrictions, renewal policies, and overall consumer protection between the two states, showcasing the varying approaches to managing shortterm lending practices.

Conclusion and Implications for Future Research

We started this research to investigate the degree to which race is a determinant of payday loan usage in Mississippi. While previous research has examined the influence of race on payday lending, many of these studies were conducted outside the South and focused on large metropolitan cities (Faber 2018; Fowler, Cover, and Kleit 2014). The Mississippi Delta region stands apart and is of particular interest for several reasons. Mississippi is one of the most underfunded and underserved states in the country, suffering across multiple dimensions, including poverty, unemployment, economic opportunity, healthcare, and education (Gray 2024; Austin 2006; Cobb 1994; Woods 2017). These structural disparities have disproportionately impacted the economic well-being of Black residents, making them more financially vulnerable than their white counterparts.

The extant literature on payday lending often frames usage as an individual choice tied to a lack of financial literacy (Lusardi and Mitchell 2014). A major critique of this literature is that it places too much emphasis on individual knowledge and ignores the systemic challenges and inequities that shape financial behavior, particularly among African Americans. Some scholars argue that race matters deeply and must be understood as central to understanding patterns in payday loan usage (CharronChénier 2020). Others have shown that payday lending not only exacerbates financial instability but also negatively impacts health and traps borrowers in cycles of debt (Fedline et al. 2023). This ongoing debate calls for further investigation.

"...fringe and alternative financial institutions have proliferated across the U.S..."

As a result, we sought to test whether the empirical findings of the existing literature apply to residents of Mississippi, particularly in the Delta. Historically, the Mississippi Delta was one of the largest slaveholding regions in the South during Reconstruction. Since the end of Reconstruction, the Black population in Mississippi has remained concentrated in this region. Yet, little is known about the financial behaviors, perceptions, and political attitudes of residents in this area. Even as African-Americans have gained some political representation in the Mississippi Delta, widespread economic despair persists. At the same time, fringe and alternative financial institutions have proliferated across the U.S.—and Mississippi is no exception (Baradaran 2015). Prior research has found that payday lenders disproportionately target majority-Black cities and communities (Fedline et al. 2023), often operating without making any long-term investment in the community, unlike traditional banks.

We engage with this existing literature to examine the extent to which race continues to shape payday lending patterns in the Mississippi Delta. This research is particularly urgent in a political moment where Diversity, Equity, and

Inclusion (DEI) efforts are being rolled back and where society increasingly embraces a "colorblind" framework that ignores the significance of race. Our goal was to test whether racial disparities observed in other parts of the country also apply to this deeply racialized region.

Using data from a survey that, we find that race is a consistent and significant predictor of payday loan usage. Black respondents in the Mississippi Delta are more likely to engage in payday lending than their white counterparts across nearly every indicator. This pattern holds regardless of family size, income bracket, employment status, or marital status—race remains a dominant factor. When disaggregating by both race and gender, we find that Black women are disproportionately affected compared to Black men. Still, Black individuals overall are significantly more likely to use payday loans than their white counterparts.

Even when accounting for rising income levels—where we might expect payday loan usage to decrease—Black borrowers remain disproportionately impacted. This suggests that structural racial disparities continue to shape financial behavior and access in the Mississippi Delta, even among those with increased economic resources. Notably, traditional stabilizing institutions like marriage appear to function differently by race: Black individuals who are married are still more likely to use payday loans than married whites. Likewise, across employment statuses— unemployed, part-time, and full-time—Black respondents are consistently more likely to use payday loans, regardless of their marital status.

These findings point to the structural nature of economic vulnerability and inequality in the Mississippi Delta. Whether employed or unemployed, many Black individuals may not earn enough to keep pace with inflation and the rising cost of living. This reinforces the need for scholars to better understand how racial inequality is embedded in the structure of American economic life and how it shapes financial behavior and precarity.

It is also important to emphasize that Black women are especially impacted. They are more likely to use payday loans than Black men, which may reflect their role as primary breadwinners and heads of households in single-parent families. This gendered dimension of payday loan usage demands further investigation to better understand how race, gender, and economic hardship intersect in shaping financial decisionmaking.

In addition to uncovering the role of race, this research also sought to understand the lived experiences of payday loan borrowers through focus group interviews. Our study included three components: First, we tested whether race was a significant determinant of payday loan usage. We found that Black respondents were significantly more likely to take out payday loans regardless of marital status, employment, or family size. For instance, white men had a predicted probability of 42% compared to Black men at 50%. This gap was even more pronounced among women: white women had a predicted probability of 39%, while Black women were at 63%.

Second, we examined attitudes toward payday lending. We found that both Black and white respondents in Mississippi largely agreed that payday lending should be more strictly regulated, if not banned outright. Many believed that payday loans trap borrowers in cycles of debt and carry unfair fees. Yet, a sizable number of respondents—particularly among the economically vulnerable—still felt that these loans were necessary for people with limited financial options.

Most participants indicated that they would not recommend payday loans, but acknowledged that they are often loans of last resort.

Third, we conducted a spatial analysis to investigate the proximity of payday lenders to majority-Black populations in the Mississippi Delta. While our findings do not conclusively show that payday lenders are disproportionately located in Black communities, they do reveal that the region has categorically lower access to both banks and alternative financial services compared to other parts of the state. Banks and payday lenders are often located in close proximity to one another in Delta counties, suggesting that inequity in financial access is not just spatial—it is also shaped by what happens within the financial system itself. Payday lenders may be physically near banks but offer vastly different (and often more harmful) financial products to vulnerable communities.

Our focus groups provided rich qualitative insights that confirmed many patterns from our quantitative data. Participants frequently described payday loans as a gateway to long-term debt and even financial addiction. Many expressed concerns about the high interest rates and fees,which they felt were unfair and predatory. While participants acknowledged the short-term relief payday loans can provide, they also emphasized the longt-erm damage—financial instability, repeated borrowing, and accumulating debt.

Some participants did, however, highlight the convenience of payday loans. They noted the ease of the application process—whether online or instore—and the quick turnaround time in receiving funds. Many turned to payday loans in moments of crisis, citing reasons such as medical expenses, groceries, utility bills, or emergencies involving children. These loans were almost universally described as a "last resort."

Notably, many participants reported being denied traditional loans from banks, which heightened their financial anxiety and pushed them toward payday lenders. The individuals in our focus groups represented a wide range of occupational backgrounds, including teachers, college students, teaching assistants, cashiers, house-keepers, waitstaff, customer service representatives, cooks, retail managers, factory workers, nutritionists, emergency technicians, primary care assistants, and correctional officers. Several also indicated that they used payday loans to avoid overdraft fees imposed by banks. These findings matter. If race is a significant predictor of payday loan usage, then policymakers must address how and why certain racial groups are more negatively impacted by this industry—or why some groups are more likely to use payday loans than others.

In this report, we have detailed the results of focus group data, survey data, geospatial analysis, and policy analysis, conducted by research scientists and community development organizations based in the Mississippi Delta. The report provides a comprehensive and sobering account of the role payday lending plays in reinforcing racial and economic inequalities in the Mississippi Delta. The findings make clear that payday lending is not merely a financial issue but a deeply entrenched concern for social equity and a driver of the racial wealth gap. Through rigorous quantitative analysis, geospatial analysis, policy analysis, and qualitative insights from focus groups, we have uncovered the disproportionately high reliance on payday loans among Black Mississippians—particularly Black women—regardless of income, employment status, or education level. These patterns are not random but are linked to a long

history of racialized economic exclusion and systemic disinvestment in Black communities. A key finding was that exposure to advertising, particularly about financial services, may be the determinant of racialized exposure to predatory lending in the Mississippi Delta.

Although geographic access to payday lenders does not appear racially biased, our study finds that racial disparities in usage remain stark, suggesting that the real barriers are not spatial but structural rooted in systemic racism, insufficient access to equitable financial services, and a persistent racial wealth gap. Participants described payday loans as both lifelines in times of crisis and traps that led to cycles of debt and financial instability. Focus group insights highlighted the emotional and psychological toll of payday debt and emphasized the urgent need for greater transparency, regulation, and alternative sources of financial support.

The persistence of these disparities across various demographic and socioeconomic indicators underscores the inadequacy of Mississippi's current regulatory framework. The state's legal environment has enabled the proliferation of predatory lending practices under the guise of accessibility. As such, regulatory reform is not just necessary—it is imperative to achieve racial equity and reduce a racial wealth gap. Our policy analysis highlights viable alternatives from other states that have successfully protected borrowers while preserving access to credit.

Moving forward, our report illustrates that we must address payday lending

as a symptom of broader systemic injustices. Ending the cycle of predatory debt requires a holistic approach— rooted in racial equity, financial literacy, access to fair credit, and economic development. Public policy must be grounded in the lived experiences of the communities it seeks to serve, particularly those historically excluded from financial opportunity.

Finally, future research must center the voices and lived experiences of payday borrowers in Mississippi. We must understand how they perceive the payday lending process, how they assess its fairness, and how they view regulation and reform. While statistical analyses help us identify important patterns in lending behavior, it is qualitative research—focus groups, interviews, and community-based inquiry that will allow us to understand the real-world consequences of financial exploitation. We also need more granular geospatial data that maps the locations of payday lenders relative to Black communities, and we must investigate the extent to which payday companies lobby state lawmakers to weaken regulatory frameworks. By following the money, both spatiallyand politically, we can uncover the deeper structures of racial and economic exploitation in the Delta.

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