Payday Lending in Virginia: The Lesser of Many Evils?

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Executive Summary

The use of payday lending has exploded in the U.S. and gained even greater momentum since the recession began in 2008. Attractive because they do not require borrowers to go through a credit check and can be approved quickly, payday loans have also fallen under harsh criticism from consumer advocate groups across the country and in the state of Virginia. These groups claim that payday lenders charge exorbitant interest rates, some as high as 819 percent annual percentage rate (APR) in Virginia in 2010.\(^1\) Additionally, consumer advocates report payday lenders set loan terms so short, typically 14 days, that it becomes nearly impossible for the borrower to pay off the loan without having to take out a second or third loan just to pay off the accrued interest.\(^2\)

Payday loan use in Virginia has been highly responsive to the tightening of restrictions on the industry. In 2008, payday lending was a $1.3 billion business, providing nearly 3.4 million loans annually. In 2009, after stricter regulations were passed, payday loans decreased by over eighty percent and the average number of loans per borrower drastically declined.\(^3\) While the decline in total payday loans and the average number of loans taken out by borrowers represents a positive step forward, borrowers may have migrated to other, more predatory financial products due to the tightening of state regulations of payday loans.

This analysis explores four policy alternatives for the payday loan industry: 1) enacting a statewide ban on payday lenders; 2) keeping current law; 3) providing incentives to employers to provide small-dollar loans to employees; and 4) removing the allowance of a twenty percent loan origination fee in the current payday loan regulations.

Our analysis shows that the revised Virginia Payday Loan Act goes to great lengths to protect borrowers. The best policy option for Virginia is to keep current law but infuse
competition into the small-dollar loan market by incentivizing public and private employers to provide loans through credit unions to their employees. Because of concern that the current decline in payday loans has resulted in greater proliferation of more predatory financial products, it is not recommended to take action that would cause payday lenders to leave the state entirely. Until these new products are fully understood and examined, the state should not ban a borderline exploitive industry in favor of a purely predatory one. Furthermore, to better understand these new loan products, the state should create a Commission to examine their scope and growth. As much of the evidence is anecdotal, there is a need for data to be collected on lines of credit and Internet loans, among any other fringe products that can be identified.

1. **Introduction**

As the wealth divide continues to increase between the richest and poorest Americans in the United States, consumer demand for small-dollar loans has skyrocketed, and the “fringe” banking industry—from pawn shops to cash advance companies—benefits from the effect of the economic disparity on the low-income worker. Many of these services have existed for hundreds of years, but in the wake of the financial crisis of 2008, with the spotlight now sharply focused on the financial industry and its products, several states, including Virginia, have begun tightening existing regulations and exploring new methods to protect borrowers.

In response to increased national attention on payday loans and the growth of the industry in the state, in 2002 the Virginia state legislature passed the Virginia Payday Loan Act. Amid concerns that this legislation did not provide sufficient regulation to protect vulnerable borrowers from quickly amassing more debt than they could afford, a 2008 law was passed that amended the original Act and imposed strict regulations on payday lenders. In this paper, the
effectiveness of the current law that regulates the payday lending industry in Virginia is examined and a determination if further state action is necessary to protect consumers from the dangers of payday loans or other fringe banking products is made.

2. **Background**

2.1 **What are Payday Loans? Who Uses Them?**

A payday loan is a small-dollar, short-term loan, generally fourteen to thirty days, typically used by low-income workers to cover unanticipated expenses. In the event the borrower cannot repay the loan at the end of the term, the lender will either attempt to cash the check, offer the borrower a new loan to pay for the debt, or offer a loan renewal which extends the interest-bearing loan term past the original end date. Because lenders do not require credit checks or report loan history to the credit bureau, payday loans are an attainable product for low-income borrowers who cannot acquire typical bank loans due to bad credit or their financial situation. The only requirement to secure a loan is proof of one’s next “payday.”

2.2 **Criticisms of Payday Loans**

From the moment payday loans entered the market, they have been rife with controversy. Criticisms of the loan product and the industry include:

- **Effective APRs on payday loans can be extremely high:** In 2010, the APR charged on payday loans in Virginia ranged from zero percent to 819 percent, with the average being 281 percent.\(^7\) It is important to note that these high percentages occur when the loan is spread out over a year term, which is longer than the intended term of the loan. However, if the initial loan amount plus
interest is not paid back within the initial loan period (typically two weeks), interest on the loan can grow exponentially, resulting in a triple-digit APR over the course of a year.

- **Payday Loans can lead to a cycle of debt:** In most cases, the two-week loan term is not enough time for the lender to reasonably assume the borrower’s financial situation has changed. Although the borrower shows proof of their next payday, his or her paycheck is oftentimes so close to the original loan amount that it is unlikely the borrower will then be able to pay back the full amount within the two-week timeframe. Research shows that the inability of borrowers to repay payday loans within the short-term due date accounts for seventy-six percent of total loan volume.\(^8\) It is extremely difficult for repeat borrowers to escape this debt-cycle and thus, stopping this cycle has been one of the targets of state regulatory and legislative action.

- **Some payday lenders engage in exploitive practices:** Storefronts that offer these loans also offer a variety of other fringe banking products and payday lending storefront workers have testified that, during their employment, they were commonly instructed to misinform potential customers to make payday loans seem viable.

### 2.3 Other State Actions and Federal Regulations

The payday loan industry is currently regulated at the state level and there is no uniform approach to its oversight. To date, sixteen states and the District of Columbia have effectively banned payday lending through strict interest rate caps or direct prohibition.\(^9\) Other states have
regulated the industry by setting maximum loan amounts, limiting finance charges, and/or prohibiting loan rollovers.

Federal restrictions on payday lenders are minimal. Aside from the ban on charging members of the military more than thirty-six percent APR on payday loans, there remains no federal limit to what lenders can charge. The Federal Deposit Insurance Corporation (FDIC) established Small-Dollar Loan guidelines in 2007, which encourage banks to offer affordable small dollar loan products at a rate of no more than 36 percent APR. Most payday lending institutions, however, are not insured by the FDIC so these guidelines remain best-practice recommendations only.

2.4 Existing Virginia Regulations on Payday Loans

Payday loans were recognized in Virginia for the first time with the passage of the 2002 Virginia Payday Loan Act. Although intended to protect consumers, one effect of the Act was to legitimize the industry and shine a spotlight on an otherwise hidden market. With the passing of this regulation, the market actually became more attractive for payday lenders and the industry grew from 604,087 loans and $165 million in total loan value in 2002 to approximately 3.4 million loans and $1.3 billion in total value in 2008.

In 2008, the Act was amended with major changes, that among others, prohibited payday lenders from:

- lending to military personnel and their families and spouses;
- lending more than $500 per payday loan;
• charging interest and fees higher than: a) twenty percent of the principal amount advanced in fees, b) $5 per transaction fee, and c) thirty-six percent interest annually;
• providing an active loan-holding borrower with an additional loan during the same time period;
• renewing or extending an existing loan; and
• setting a loan term of a time less than the equivalent of two pay periods for the borrower.¹

It also mandated the creation of a statewide payday loan database that lenders are required to use to track individual loans and comply with the multiple loan prohibition.¹⁴ These regulations took effect on January 1, 2009.

2.5 Payday Loan Use in Virginia

In order to better understand the appropriate next steps for the industry, it is essential to understand the current scope and depth of the payday loan industry in the state. A few trends are important to note.

Payday loan users in Virginia may mirror national trends but there remains no state-specific demographic data. Payday lenders are only required to report data in the aggregate, so there remains no public data that describes the demographics of Virginian borrowers. According to national studies, the typical payday loan borrowers are (i) low-income, (ii) disproportionately racial and ethnic minorities, including Latino/a and African-American, (iii) do not own a home, (iv) live in a family with at least one dependent, and (v) are female.¹⁵ Since the introduction of

¹For example, for a borrower who is paid twice per month, the minimum allowable loan term is 31 days.
strict regulations in the state, payday loan customers in Virginia take out an average of 2.8 loans each with an average amount of $386.5 per loan.\textsuperscript{16}

\textit{Payday loan storefronts exist in almost every part of the state.} Though they tend to be more prevalent in major cities, payday lenders set up shop in every region of the state (See Figure 1). According to the Virginia Partnership to Encourage Responsible Lending (VaPERL) there were, at the height of the industry, two payday loan locations for every McDonalds and three for every Starbucks.\textsuperscript{17}

\textbf{Figure 1. Payday Lending Locations in Virginia (2009)}


The number of payday loans and storefronts in the state is responsive to state regulations. The size and scope of the payday loan industry is directly correlated with the introduction of new regulations. In 2002, just over 604,000 payday loans were made; by 2008, this number had
skyrocketed to nearly 3.4 million. Also in 2008, the payday loan industry loaned over $1.3 billion – an average of $3,037 per person. This tremendous growth came to a halt on January 1, 2009 when Virginia’s stricter regulations were enacted (see Figure 2). The state’s second-largest payday lender, Check n’ Go, gave up its state payday license, which resulted in a precipitous drop in the number of loans and storefronts across the state. In 2010, the once booming industry had dropped to 435,273 total loans with only $170.9 million in loans. The average total loan amount per person lowered to $1,168.

Figure 2. Number of Payday Loans Borrowed in Virginia (2002 - 2010)

2.6 Financial Products Similar to Payday Loans

Alternatives to payday loans are numerous and include pawnshops, check cashers, car title loans, line of credit loans, Internet payday loans, overdraft protection, and credit card advances. While the decline in both total payday loans and the average number of loans taken out by borrowers represents a positive step forward toward reducing the high-interest debt burden on low-income workers, the degree of the decline warrants a closer look. There is concern that the drastic decline in payday loan borrowing represents a migration to more predatory financial products, including:

- **Car title loans.** These loans offer cash secured by a car title. Before October 1, 2010, car title loans were unregulated in the state and were typically offered as an open line of credit. Flexible loan terms and ability to get cash without a credit check may have made these loans attractive to former payday loan borrowers after the 2009 payday loan regulations took effect. In 2010, the Virginia State Legislature became aware of this transition and passed regulations of car title loans that are even more stringent than the payday loan regulations.\(^{20}\)

- **Line of credit loans.** Similar to a loan that one might take out at a retail store to extend payments for a store purchase, lines of credit are offered to consumers with a quick need for cash. These open-ended loan products are offered in exchange for access to the borrower’s bank account. Borrowers can get up to $750 in cash ($250 more than payday loans) and their loan terms can change at any time. These loans are unregulated and allowable under a different statute than payday loans.\(^{21}\)

\(^{ii}\) The Virginia Partnership to Encourage Responsible Lending (VaPERL), an advocacy partnership among 27 nonprofits, hosts a hotline that Virginia residents can call to report a concern about their small-dollar loans.
• **Internet loans.** Due to the increasing number of states with strict usury caps and payday loan regulations, the national market for payday loans borrowed via the Internet has grown. They are typically headquartered in states with looser payday loan regulations, yet they do not limit their product availability to residents of their home state. In Virginia, payday loans taken out via the Internet are considered “illegal” and are not recognized by the state.22

Given the drastic decline in payday loans immediately after the regulations came into effect, it is reasonable to assume that former payday lenders have migrated to one or more of these new, more predatory, financial products.23 As the effectiveness of the existing payday loan regulations is explored, it is imperative to examine how these regulations may have created an environment in which more expensive loan products would be more attractive and available to Virginians who use small-dollar loans.

3. **Analysis**

3.1 **Policy Alternatives to Consider**

As the analysis shows, the regulations imposed on payday lenders in 2008 effectively reduced the size and reach of the industry. This action achieved at least one of the goals legislators set out to accomplish, building a more sustainable and transparent payday loan industry that does not lock borrowers in a cycle of debt. Despite this achievement, in 2010 the

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According to VaPERL, the number of calls about lines of credit have increased “about 70 percent” since the payday loan regulations came into effect. Advocates at VaPERL suggest that payday lenders have simply “switched” former payday loan customers to lines of credit to avoid the strict regulations on payday loans. Source: VaPERL Interview with Marcie Foster, March 23, 2011.
highest reported effective APR was 819 percent. Also, the decline, as indicated by state data, may be misrepresenting a larger issue of the growth of other fringe banking products that remain unregulated. While this analysis focuses solely on reforms to the existing payday loan market, significant consideration should be given to the emerging market of unregulated fringe banking products. In the following sub-section, four alternatives are established for consideration by Virginia to address the lingering problems in the payday loan industry.

**Policy Alternative 1: Statewide ban on the payday loan industry**

Banning could be accomplished in one of two ways, either by amending the Payday Loan Act to require lenders to comply with a low usury rate limit, e.g., in West Virginia, eight percent, or by prohibiting the practice entirely as in North Carolina. Existing small-dollar loan practices separate from payday lending would still be permitted, but the state would discontinue issuing licenses specifically for payday lending. Companies would be allowed to collect on existing loans, but would not be permitted to initiate any new payday loans.

**Policy Alternative 2: Allow present trends in the state to continue by keeping the current law as written**

Virginia has by no means ignored the problem of payday lending. As this analysis has shown, the revised Virginia Payday Loan Act provides strict regulations of the industry and does a great deal to protect consumers. Letting the current trends continue unfettered acknowledges that the regulations already in place have worked to curb the most predatory elements of traditional payday loans.

**Policy Alternative 3: Provide incentives to employers to partner with credit unions that provide small-dollar loans to employees**
Since larger banks are not significant lenders of small-dollar loans, the only widely-offered options for consumers are payday loans or other fringe banking products, which are typically offered by the same companies. A few employer-sponsored options exist for workers, but they are not prevalent across the state. Therefore, companies that offer payday loans are operating in a market space with no real competition. By supporting employer-sponsored credit union partnerships, payday lenders may be persuaded to adapt to a new market to the benefit of borrowers. Credit unions are currently required to lend at a maximum annual percentage rate no greater than eighteen percent; which by definition makes them preferable to payday loans and a better option for consumers. In addition, lending through one’s employer has shown to result in better pricing and repayment terms for the employee-borrower.25

**Policy Alternative 4: Removal of the twenty percent loan origination fee**

The fourth alternative is to remove the twenty percent loan origination fee that accompanies the transaction of a payday loan to keep the calculation of interest simple, transparent, and less predatory for the borrower. This fee is what helps create the astronomical APRs, e.g., 819 percent, that are reported in negative media stories about payday loans. Without the twenty percent origination fee, the total loan cost would not be as exploitative. The lender is already permitted to charge thirty-six percent simple annual interests on the loan itself, and would also be able to keep the allowed five dollar verification fee.iii 26

In addition, FDIC guidelines suggest that small-dollar lenders cap their interest rate at no more than thirty-six percent.

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ii Thirty-six percent simple annual interest refers to the loan amount only and not to any fees accrued upon taking out the loan. In addition, Virginia payday lending laws allow payday lenders to charge a “verification fee” of $5 or less per loan. The verification fee is used to cover costs of submitting the information about the loan and borrower to Virginia’s database.
3.2 Assessment of Policy Alternatives

Due to the unique nature of this issue and the lack of available data on the new financial products that have emerged since payday lending regulations took effect, the assessment of the alternatives will focus strictly on the payday lending industry as it exists today. The final recommendations will, however, include suggested ideas to address exploitive lending practices that have emerged since payday loans were regulated in the state.

Six analytical criterions have been determined with which to evaluate the alternatives proposed in Section IV.A. Within this set, the criteria have been divided into two sections: state-focused and citizen-focused. Using a scale of one through four, each of the alternatives has been ranked against each other for all of these criteria. A one represents the alternative that is the most difficult/most expensive/most detrimental. A four represents the alternative that is the simplest/least expensive/or most beneficial. Descriptions of each category are included in Appendix 1.

The following matrix (see Table 1) is meant to serve as a summary, and is not mathematically or statistically significant. This limitation is due to 1) the subjectivity of the rankings, 2) the assumption that the rankings are evenly distributed when in reality, an alternative given a one ranking could be much worse than an alternative given a two, but two and three are almost equal, and so forth, and 3) the assumption that each criterion is weighted equally as the scores are calculated horizontally across the matrix.
## Table 1. Evaluation Matrix of Alternatives

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<th>Evaluative/Values Criteria</th>
<th>Analytical Criteria</th>
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<tbody>
<tr>
<td></td>
<td>Efficiency</td>
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<tr>
<td>#1: Statewide Ban on Payday Loan Industry</td>
<td>No</td>
</tr>
<tr>
<td>#2: Keep Current Law</td>
<td>Yes</td>
</tr>
<tr>
<td>#3: Employers to Partner with Credit Unions to Provide Payday Loans</td>
<td>Yes</td>
</tr>
<tr>
<td>#4: Removal of 20 percent loan origination fee</td>
<td>Yes</td>
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3.3 Projected Outcomes for Policy Alternatives

In a similar manner to the assessment of alternatives in Section IV.B., the anticipated outcomes will focus solely on the payday lending industry as it exists today. Recommendations will be included for the emerging, unregulated small-dollar loan products in the following section, but cannot at this time reasonably project the likely outcomes for any policy changes due to the lack of available data on these new products.

**Projected Outcomes for Policy Alternative 1: Statewide ban on the payday loan industry**

The most severe critics of payday loans claim that, by definition, payday loans are predatory loan products that take advantage of the most vulnerable citizens. They argue further that the only way to prevent this predatory action is to ban payday loans entirely from the landscape of available small-dollar loan products. Yet the research on the expected outcomes of banning payday lending statewide shows mixed results and has been deemed “inconclusive” by independent researchers at a number of institutions.

The most relevant study was conducted by the Federal Reserve Bank of New York and examined the financial impact to citizens of a statewide payday lending ban in North Carolina and Georgia. They found that, in both states, bounced checks and bankruptcy filings rose significantly after payday loans were banned.²⁷ It is important to note that this could be attributed to pre-existing debt problems of households that emerged once cash was no longer available; but the authors of the study argue that these results support the hypothesis that payday loans, while dangerous if used as a primary means of credit, are preferable to other, more expensive, fringe banking products. With North Carolina and Virginia being neighboring states with similar
demographics, it is reasonable to infer that a similar situation would arise in Virginia in the aftermath of a payday loan ban.

A contradictory study from the left-leaning Center for Responsible Lending found that, in 2005, payday loans cost American families around $4.2 billion per year in excessive fees, and states that have banned payday loans have saved their citizens around $1.4 billion in predatory fees annually. This same report indicates that for states with a comparable population number to Virginia, estimated savings would be anywhere from $119 to $150 million. An additional study conducted in 2009 finds little evidence that payday loan availability prevents financial distress in families.²⁸ There is also evidence that families with access to payday loans may be more likely to report their inability to pay medical bills on time because of lack of insurance or money compared to similar individuals without access to payday loans.²⁹ Given these contradictory findings, it is reasonable to expect that banning the industry entirely may have some unintended consequences that might pose additional costs to the state and consumers. Primarily because of the low political feasibility and higher relative cost to consumers and the state, this alternative received a ten in the rating.

Projected Outcomes for Policy Alternative 2: Allow present trends in the state to continue by keeping the current law as written

The current regulations on payday loans in the state were designed to address the major criticisms of payday lending. These regulations are extensive and include limiting the loan amount to $500, strict restrictions on permissible interest and fees, and prohibiting loan rollovers or renewals (see complete list on page 7). Virginia has some of the strongest restrictions outside of a usury rate cap or flat thirty-six percent APR which factors in origination and verification fee. This alternative received an eighteen, the highest score in the matrix.
Projected Outcomes for Policy Alternative 3: Provide incentives to employers to partner with credit unions that provide small-dollar loans to employees

As discussed in Section IV.A., credit unions can play a role in the small-dollar loan market, often at a much lower cost to the borrower. However, existing credit union loans are not available to all Virginia residents and thus may be limited as a viable alternative to payday loans. With this alternative, the state could incentivize public and private sector employers to partner with credit unions so they can provide a fair and efficient small-dollar loan alternative to borrowers in Virginia. Unlike banning the industry in the state, it expands—rather than limits—options for cash-strapped borrowers. This policy alternative, with a score of sixteen, ranks the same as removing the twenty percent origination fee and is limited only by the projected Technical Feasibility and Cost to State.

Projected Outcomes for Policy Alternative 4: Removal of the 20 percent loan origination fee

The Virginia Payday Loan Act already provides a good framework for the protection of Virginia consumers, but taking the legislation further and removing the twenty percent origination fee will reduce the burden borne by consumers to finance their short-term needs with payday loans. Removing the origination fee will help make the product not only cheaper and less predatory, but it will also likely reduce the possibility of the borrower defaulting on the loan or entering a debt-cycle. On the other hand, eliminating this fee, which is the highest income source for the lender, will make the market less attractive to companies that provide this product, and will likely lead to an even further reduction of providers, as happened in 2009 with the departure of Check ‘n Go from the state. This alternative ranked in the middle throughout the matrix—
never the worst option, never the best—and received a score of sixteen, the same as incentivizing employers to partner with credit unions.

4. **Policy Recommendations**

Based upon the analysis presented, the best policy option for Virginia is to allow present trends in the state to continue. The research shows that the revised Act as it stands goes great lengths to protect consumers. Of states that have not banned the industry, Virginia’s current regulations are among the strongest. Because this analysis identified areas needing improvement, the recommendation includes the caveat that the state also work to provide incentives to employers to partner with credit unions that provide small-dollar loans to employees. Injecting competition into the small-dollar loan market will not only make more preferable loans available to consumers, but will also persuade payday lenders to adapt to the benefit of consumers. The relative cost to the state, possibly in the form of tax credits for participating employers, is worth the promotion of a healthy financial environment for Virginia’s citizens.

As the analysis shows, the payday lending industry in Virginia continues to lend at interest rates up to 819 percent, which could be qualified as “predatory.” APRs in the state on payday loans could be reduced by removing the twenty percent origination fee; however, the concern is that in doing so the industry would effectively be banned in the state. Although, the analysis does present some studies that show banning payday loans may benefit consumers, new evidence in Virginia points to the emerging, unregulated small-dollar loan products that are even more detrimental to and exploitive of consumers.
Furthermore, the state of Virginia should appoint a *Commission on Fringe Banking Products* to examine the growth of unregulated, small-dollar loan products. Because much of the evidence is anecdotal, there is a real need for data to be collected on lines of credit and Internet loans, among any other fringe products that can be identified. Until those products are fully understood and examined, the state should not enact policy to ban a borderline exploitive industry in favor of a purely predatory one.

5. **Conclusion**

Virginia should keep its current law as written but infuse competition into the small-dollar loan market by incentivizing public and private employers to provide loans through credit unions to their employees. Additionally, the state of Virginia should create a *Commission on Fringe Banking Products* to examine the growth of the emerging and unregulated small-dollar loan products. Virginia made great strides to protect consumers with its 2008 regulations of payday loans and, while regulated payday loans are not as predatory as they could be, for those who use them, they still are far more dangerous and predatory than traditional bank loans. The 2008 law ensured that consumers were better protected from predatory loans, and subsequent regulatory efforts will hopefully continue this trend.
APPENDIX: Descriptions of State- and Citizen-Focused Criteria

State-focused criteria include:

- **Political feasibility**: This criterion is used to evaluate how politically feasible it would be to adopt each alternative. The analysis considers questions such as: will these approaches be accepted by anti-payday loan advocates, the payday loan industry, and other stakeholders? For alternatives that require legislative action, the likelihood that these measures would successfully pass through the state legislature at this time is also considered.

- **Technical feasibility**: This criterion is used to evaluate the ease of technical implementation for the state. We consider questions such as: will the alternative require a massive overhaul of state regulatory systems or agencies? Will the alternative require additional infrastructure or new offices within existing agencies?

- **Cost to state**: The current budgetary concerns for Virginia and states across the country are understood as relevant. The analysis uses this criterion to evaluate the overall cost to the state, not including potential increased costs to the consumer.

Citizen-focused criteria include:

- **Cost to consumer**: This criterion is used to capture the costs borne by likely borrowers in the state. This includes questions such as: is the selected alternative likely to result in more or less expensive loan products for current borrowers?

- **Availability of small-dollar loans**: There is a demand in the marketplace for small-dollar loans among consumers with bad credit history who have short-term emergency financial needs. This criterion is used to evaluate the impact of the alternative on the reduction of available options to these consumers.

- **Impact on end to cycle of debt**: One of the primary criticisms of payday lenders is that the use of these loans traps consumers in a cycle of high-interest lending and that borrowers often use a second payday loan to pay-off the first, and so on. This criterion is used to assess the impact on ending this debt cycle for each of the alternatives.
In addition to these analytical criterions, three evaluative criterions have been selected which will be used to weigh the selected alternatives on the basis of unquantifiable values. Due to the nature of these criteria, they are not ranked from one through four as with the analytical criteria. Instead, a simple “yes”, “no”, or “neutral” gauge is used to determine if each of the alternatives supports these general values of importance to the state.

Evaluative Criteria:

✓ **Efficiency**: This criterion is used to evaluate the cost-effectiveness and cost-benefit of each of our alternatives and maximize utilities relative to both the state and the consumers.

✓ **Protection from exploitative practices**: This criterion is used to consider how each of the alternatives serves to protect Virginia citizens from exploitative practices.

✓ **Consumer freedom**: This criterion is used to evaluate whether or not each of the alternatives provide freedom to consumers to make their own financial determinations and have access to a wide variety of financial products.
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