



# **Impact of Payday Lending on Utah Courts**

**A report by Coalition of Religious Communities**

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## **Overview**

Deferred deposit loans, otherwise known as payday loans (PDLs), have been studied widely. Local and national reports have detailed the product, impacts on the consumer and regulations that apply to PDL products. What hasn't been studied is the impact payday lenders have on local judicial systems.

Although many payday lenders in Utah are owned by entities headquartered in other states, they have the ability to sue PDL customers in default through local justice and district courts. These court cases take time, energy and taxpayer dollars away from municipalities and send the money elsewhere. Plus, the sheer number of cases adds to already severely backlogged court dockets.

This study begins to document the impact of payday lenders on Utah's justice and district courts.

## **Introduction**

Deferred deposit loans, otherwise known as payday loans (PDLs), are small loan products that consumers obtain to fund short-term cash shortages. The original loans have one or two week terms but in Utah can be rolled over for a total of ten weeks. Unfortunately these payday loans prey on vulnerable communities, individuals, and families using deceptive advertising. Customers incur extremely high interest rates and become trapped in perpetual cycles of debt-dependence.

In Utah, payday lenders experience little restriction and oversight. Interest rates run from 0%, giving a customer the first loan interest free, to a high of 2,294.29%, at an average of 521% APR. With no interest rate cap dictated by law, and with lenders issuing loans without regard of an individual's ability to repay the loan, customers enter a debt trap that is difficult to escape. Fifteen states have banned payday loans and many other states have capped interest rates between 17% and 36% on these predatory products.

## **Research Methodology**

Using the Utah Court XChange records system, we compiled a list of all small claims court cases (coded SC) from each District and Justice court throughout Utah filed between January 1, 2005 and June 30, 2010. We compared plaintiffs on those cases with a list of deferred deposit lenders provided by the Utah Department of Financial Institutions (DFI) to extract a list of small claims cases filed by deferred deposit lenders against individual borrowers.

## Outcomes

The table below shows the results of our research. It lists the total number of small claims cases by county, and the number and percentage of those cases that were filed by payday lenders. Cases are listed by the court where the claim was filed.

**NOTE:** County courts listed are ONLY those courts in which payday lending collection cases were filed. County totals include cases filed in all justice and district courts within the county.

<u>County</u>	<u>Court</u>	<u>Total cases</u>	<u>PDL cases</u>	<u>%PDLs</u>
Beaver	Milford Justice Court	22	6	27.70%
<b>BEAVER County Total</b>		<b>53</b>	<b>6</b>	<b>11.30%</b>
Box Elder	Box Elder County Justice	2199	185	8.40%
Box Elder	Tremonton City Justice	808	151	18.69%
<b>BOX ELDER County Total</b>		<b>3105</b>	<b>336</b>	<b>10.80%</b>
Cache	Logan City Justice Court	3251	839	25.80%
<b>CACHE County Total</b>		<b>4161</b>	<b>839</b>	<b>20.20%</b>
Carbon	Carbon County Justice Court	4423	111	2.50%
<b>CARBON County Total</b>		<b>4617</b>	<b>111</b>	<b>2.40%</b>
Davis	Bountiful District	2021	2	0.10%
Davis	Clearfield Justice Court	918	473	51.50%
Davis	Layton District	9205	4584	49.80%
<b>DAVIS County Total</b>		<b>13281</b>	<b>5059</b>	<b>38.10%</b>
Iron	Iron County Justice Court	2175	794	36.50%
<b>IRON County Total</b>		<b>2175</b>	<b>794</b>	<b>34.90%</b>
Salt Lake	Midvale Justice	1372	148	10.80%
Salt Lake	Riverton Justice Court	311	89	28.60%
Salt Lake	Salt Lake City District	19535	4249	21.70%
Salt Lake	South Jordan Justice Court	718	80	11.10%
Salt Lake	South Salt Lake Justice Court	1364	75	5.50%
Salt Lake	Taylorsville Justice Court	1625	300	18.50%
Salt Lake	West Jordan District	13774	11199	66.80%
Salt Lake	West Jordan Justice	579	29	5.00%
<b>SALT LAKE County Total</b>		<b>53315</b>	<b>16169</b>	<b>30.30%</b>
San Juan	San Juan County Justice Court	26	1	3.80%
<b>SAN JUAN County Total</b>		<b>26</b>	<b>1</b>	<b>3.80%</b>
Sanpete	Mt. Pleasant Justice Court	122	1	0.80%
<b>SANPETE County Total</b>		<b>451</b>	<b>1</b>	<b>0.20%</b>
Tooele	Tooele District	2719	427	15.70%

<u>County</u>	<u>Court</u>	<u>Total cases</u>	<u>PDL cases</u>	<u>%PDLs</u>
<b>TOOELE Total</b>		<b>2907</b>	<b>427</b>	<b>14.70%</b>
Utah County	American Fork District	2952	441	14.90%
Utah County	Orem District	6100	1878	30.80%
Utah County	Provo City Justice Court	962	675	70.20%
Utah County	Provo District	24707	19580	79.30%
	Saratoga Springs Justice			
Utah County	Court	108	75	69.40%
Utah County	Spanish Fork District	2349	601	25.60%
<b>UTAH COUNTY Total</b>		<b>37199</b>	<b>23250</b>	<b>62.50%</b>
Washington	Hurricane City Justice	340	78	22.90%
Washington	Washington Co Justice Court	7201	1707	23.70%
<b>WASHINGTON Co. Total</b>		<b>7549</b>	<b>1785</b>	<b>23.70%</b>
Weber	Ogden District	20412	9386	46%
Weber	Ogden Justice Court	1610	319	19.80%
Weber	South Ogden Justice	335	102	30.50%
<b>WEBER County Total</b>		<b>22590</b>	<b>9807</b>	<b>43.40%</b>
<b>GRAND TOTAL</b>		<b>154736</b>	<b>58585</b>	<b>37.90%</b>

## Conclusions

Based on the information above, we can conclude that taxpayers are paying for corporate payday lenders' cases in their local justice and district courts. In Utah County, the home of the largest Utah owned payday lender, Check City, almost 80% of cases seen were brought forth by payday lenders, an extreme impact on the County Court budget. The evidence shows that the impact of payday lender default cases on local courts is a significant drain on the system.

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*The Coalition of Religious Communities is a project of Crossroads Urban Center, a multipurpose nonprofit, grassroots organization which helps to organize low income, disabled, and minority Utahns to be advocates on their own behalf in addressing essential issues affecting the quality of their lives.*