Consumers and Policymakers Have Better Alternatives than Payday Loans

The market has moved on from payday lending. Between consumer and policy-based alternatives, people don't need to turn to payday loans to make ends meet.

Consumer Alternatives

1. **Small-dollar loans from banks:** Many banks have started offering small dollar loans with no minimum credit score. Terms vary across banks, but APR on these maxes out at 36%, with maximum fees at $20 or $6 per $100 borrowed.

Wells Fargo

- APR: 19-23%
- Loan amount: $250-500
- Fee: $12-20
- Loan term: 4 monthly installments

US Bank

- APR: 36%
- Loan amount: $100-1000
- Fee: $6/100 borrowed
- Loan term: 2-3 monthly installments

Bank of America

- APR: 6-30%
- Loan amount: $100-$500
- Fee: $15
- Loan term: 2-3 monthly installments

2. **Payday Alternative loans from credit unions:** Federal credit unions provide two types of payday alternative loans (PALs). Both types have a maximum APR of 28% with maximum application fee of $28 and a limit of 3 loans in a 6 month period.

PALS I

- Loan amount: $200-$1000
- Loan term: 1-6 months
- Borrowers must be credit union members for at least one month to qualify

PALS II

- Loan amount: up to $2000
- Loan term: 1-12 months
- Borrowers are eligible as soon as credit union membership is established

Consumers are not choosing payday lending.
Since the industry's peak in 2005, the annual dollar volume of payday loans in Washington has decreased 90%. This indicates that consumers prefer alternatives to payday loans, which are higher-risk and more expensive than other options.

Crunch the numbers:
Total cost of a $500 loan

Wells Fargo: $520
US Bank: $530
Bank of America: $515
Payday: $575

Payday loans are **more expensive**, and owed back in **one lump sum** instead of smaller payments over time. This increases APR and **likelihood of default.**

Policy Alternatives

Affordability is a serious issue in Washington. With costs rising and federal cuts to services Washingtonians rely on looming, lawmakers must deliver solutions to help Washingtonians meet their basic needs. Weakening payday lending regulation will increase costs and access to debt for Washingtonians, and **policymakers have better tools at their disposal to provide cost relief.**

1 Direct Cash Assistance

Programs like the Working Families Tax Credit (WFTC), Guaranteed Basic Income (GBI) pilots, and Temporary Assistance for Needy Families (TANF) provide much-needed cash to families that need it most. Streamlining access to and increasing the benefit amounts of these programs will increase access to cash relief that Washingtonians don't need to pay back with 391% APR.

WFTC expansion

The Millionaire's Tax doubled the reach of the WFTC, which will now reach an additional 500,000 families. Increasing the credit amount would provide working families in our state with direct cash they can use to meet emergency needs or pay for the basics.

GBI Pilots

GBI pilots around the state have provided much-needed cash to working families. The GRIT program in Tacoma provided families with $500 of unrestricted cash per month until it lost state funding in 2025. Restoring state funding for GRIT and other local GBI pilots would increase access to direct cash that helps Washingtonians meet their needs without turning to expensive payday loans.

TANF Support Service Dollars

Families that receive TANF are eligible to recieve up to $5,000/year for support services like car repairs, work uniforms, tools, and other services that help Washingtonians get to work. Fewer than 1% of these dollars are distributed per year, leaving Washingtonians without benefits they are eligible for and need. If WA loaded these support dollars onto TANF recipients' EBT cards, they would have instant access to cash instead of having to turn to payday lenders.

2 Increasing the Minimum Wage

Washingtonians who earn the minimum wage **do not earn enough to make ends meet in our state.** Increasing the minimum wage would ensure that Washingtonians can pay for expenses without falling into debt traps.