Payday Loans Create a Debt Trap

Payday Loans Have 391% APR in WA

Annual Percentage Rate (APR) measures the cost of loans over time, including both interest and fees. Under the Truth in Lending Act (TILA), all lenders are required to disclose the APR of their products so consumers can make true comparisons between products.

Because payday loans are extremely short term and have such high fees, the **APR of these products are astronomical** - In Washington, up to **391% APR for a 14 day loan**. These are the same factors that make payday loans more difficult to repay and more expensive than alternative products with lower APR.

Payday Loan Fees Drain Income

Washingtonians paid **$15 million in fees** to payday lenders in 2025.

In 2025, the average monthly income of payday loan borrowers was $5,006. Borrowers who took out the maximum 8 loans at the current $700 **paid $760 in fees alone** in 2025, **15% of the average monthly income of borrowers.**

Payday Loans Drive a Debt Spiral

Payday lenders have access to borrower's bank accounts or a postdated check, which means they can automatically debit borrower's bank accounts when payments are due.

As a result, payday loans leave borrowers susceptible to a cascade of adverse financial consequences, including **increased overdraft fees, delinquency on other bills, involuntary loss of bank accounts, wage garnishment, and even bankruptcy.** (CRL) Payday borrowers file for bankruptcy at higher rates than similarly situated consumers. (CRL)

In 2025, 31% of WA payday loan borrowers defaulted, **leaving them vulnerable to debt collectors**, wage garnishment, bank account garnishment, and more. There is nothing preventing payday lenders from selling defaulted debt to collectors, opening consumers to harassment and financial harm.