

A photograph of the U.S. Capitol dome in Washington, D.C., under a blue sky with white clouds. The dome is white with a dark statue on top. An American flag is visible on a pole in front of the dome.

June 2015

Payday Pay-To-Play

How Payday, Title, and Installment Lenders and their Trade Associations
Lobby and Line the Pockets of Powerful Washington Politicians

A close-up photograph of a dark brown plaid suit jacket. A red tie with a white geometric pattern is visible on the left. A stack of US twenty-dollar bills is tucked into the right breast pocket of the jacket.

AMERICANS FOR FINANCIAL REFORM

PAYDAY PAY-TO-PLAY

How Payday, Title, and Installment Lenders and their Trade Associations Lobby and Line the Pockets of Powerful Washington Politicians

This report examines the large sums of money that quick-fix consumer lenders spent on lobbying and campaign contributions in the 2013-14 election cycle. It includes data on payday, auto title and installment lenders along with other entities that play an integral role in their operations.

These lenders and their trade associations reported over \$15 million of political spending in the 2013-14 election cycle. Much of that money was spent by trade associations that represent the industry in Washington. For example, the Online Lenders Alliance (OLA) spent \$2.1 million in this election cycle, and the Community Financial Services Association (CFSA), the national trade association for companies that offer small dollar, short-term loans or payday advances, spent \$1.7 million.



Major spenders also include the clients of these trade associations – the large national chains that dominate the high-cost consumer lending world: ACE Cash Express, Advance America, and Cash America International, a pawn broking business that earned over half its 2013 revenue from payday lending. Cash America alone spent \$1.9 million on lobbying and campaign contributions during this period.

In addition to the lenders and their trade associations, this report tracks political spending by allied entities such as brokers with special ties to payday lenders, database miners, and the developers of software used to track, bill, and collect from borrowers.

Payday, auto title and installment lenders make loans to economically stressed borrowers. Their loans typically carry fees that work out to the equivalent of 300-500% annual interest.¹ These lenders typically make little or no effort to determine whether a borrower can truly afford to repay a loan, relying instead on collateral and direct access to the borrower's bank account or car to ensure collection. This combination of features means that while such loans may be marketed as a way of dealing with a one-time financial emergency, they routinely lead borrowers into a cycle of long-term debt. Because of their extremely high fees, many people end up paying far more in loan charges than they originally borrowed; and because of strong-arm collection tactics, payments to these predatory lenders often take priority over rent, utilities and other necessities.

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This debt-trap effect is in fact an essential element of the quick-fix lending industry. The Consumer Financial Protection Bureau (CFPB) has found that four out of five payday loans are rolled over or renewed within two weeks, with half becoming part of a sequence of more than ten loans.² To put it another way, the entire business model of payday lending depends on getting people to borrow again and again and pay more and more in fees.

Lobbying expenditures and campaign contributions are part of what the industry uses to influence regulators and lawmakers (and regulators through lawmakers) as decisions are made both about the enforcement of existing rules and the development of new rules against abusive lending.

The 2013-14 election cycle was marked by a number of regulatory and legislative decisions and proposals of intense concern to these lenders. The Dodd-Frank financial reform law of 2010 created the Consumer Financial Protection Bureau (CFPB) with the mission of preventing tricks and traps in the consumer finance market. The Bureau has taken on unfair and deceptive practices in the high-cost loan industry through supervisory and enforcement actions, including, for example, a \$10 million settlement with ACE Cash Express, which markets loans and related services both online and through retail storefronts in 36 states and the District of Columbia. Under the settlement, ACE was required to pay \$5 million in penalties for an array of debt-collection tactics that included the use of harassment and false threats to pressure overdue borrowers into taking out still more loans they could not afford.³

In 2015, the Consumer Bureau is widely expected to announce a set of proposed consumer protection rules that could bring dramatic changes to the quick-fix lending market. The Bureau has already issued two research reports documenting the debt-trap effect of payday loans.⁴



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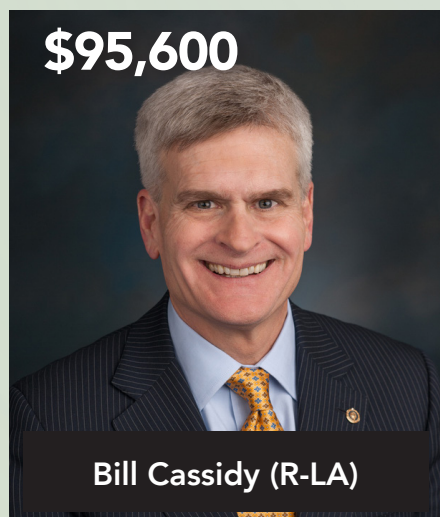
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As a result of these and other regulatory activities the Bureau has been under steady attack in Congress by those seeking to limit its effectiveness, and the payday, car title, and installment lenders have a particular interest in minimizing the strength and reach of these new rules.

Meanwhile, in a project known as “Operation Choke Point,” the Justice Department has begun to crack down on banks and payment processors that knowingly facilitate fraud, including the collection of illegal debts. The first (of three) enforcement action linked to Operation Choke Point involved Four Oaks Bank & Trust of North Carolina. Four Oaks and a Texas-based payments company had processed roughly \$2.4 billion in transactions benefiting illegal payday lenders, money laundering of Internet gambling operations and, in one case, a thinly disguised online Ponzi scheme.⁵ Separately, the Office of Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) have taken similar steps to clarify due diligence requirements for banks that may be processing fraudulent transactions.



Patrick McHenry (R-NC)



Bill Cassidy (R-LA)

Storefront and online payday lenders, as well as payment processors, have vigorously objected to this kind of enforcement, which threatens the industry’s ability to collect payments on loans that violate state or federal lending laws. In addition to protests aimed directly at the Justice Department and the bank regulators, the industry has gone to Congress in an effort to get sympathetic legislators to take up its cause in oversight hearings and public statements, and even to introduce bills designed to end Operation Choke Point and other efforts to prevent payments fraud.

The quick-fix loan industry uses political contributions to seek policy goals that go sharply against the weight of public opinion. Broadly speaking, two-thirds of voters – including majorities of Democrats, Independents and Republicans – believe there should be more, not less, government oversight of financial companies. More specifically, 72% of Americans have an unfavorable impression of payday lenders and 56% regard payday lenders as predatory.⁶ Roughly 80% of voters say that payday and other small-dollar lenders should

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be required to verify a customer's ability to repay before a loan can be issued⁷ – a rule that would undermine the business model of much of the quick-fix high-cost loan industry.

This report draws on the work of the Center for Responsive Politics (CRP), which compiles and analyzes contributions to members of Congress made by trade associations, company PACs, and company employees. The raw data for the CRP's work comes from reports of campaign contributions filed with the Federal Elections Commission (FEC), and from reports of lobbying expenditures filed with the Senate Office of Public Records. The lobbying expenditures and campaign contribution data presented here are for all of 2013 and 2014.

This data is incomplete in several ways. First, the lobbying figures reflect only the work of people who are officially registered as lobbyists. They do not include the (often quite significant) additional money spent on contributory research and support staff who are not lobbyists, nor on communications, advertising, litigation and other activities that may be intended, at least in part, to influence regulators or legislators.⁸ Also excluded is the so-called "dark money" contributed to nonprofits that engage in political advocacy in their own right but do not have to report their donors. The total amount of unreported dark-money spending is widely believed to be at least as great as reported spending.⁹

NATIONAL REPUBLICAN CONGRESSIONAL COMMITTEE

\$223,800



\$70,750



\$55,000

Top 30 Payday Lenders and Trade Associations with the Largest Total Campaign Contributions and Lobbying Expenditures, Election Cycle 2013-14

(Trade Associations are Listed First)

	COMPANY/TRADE ASSOCIATION [BRAND NAMES IN BRACKETS]	CONTRIBUTIONS 2013-14 CYCLE	LOBBYING 2013 AND 2014	TOTAL CONTRIBS + LOBBYING
1	Online Lenders Alliance (OLA)	\$129,250	\$2,005,000	\$2,134,250
2	Community Financial Services Association (CFSA)	\$161,500	\$1,550,101	\$1,711,601
3	American Financial Services Association (AFSA)	\$701,125	\$680,000	\$1,381,125
4	National Installment Lenders Association (NILA)	\$64,000	\$688,000	\$752,000
5	Financial Service Centers of America (FiSCA)	\$11,000	\$735,000	\$746,000
6	American Association of Responsible Auto Lenders (AARAL)	\$0	\$520,000	\$520,000
7	Native American Financial Services Association (NAFSA)	\$0	\$400,000	\$400,000
8	Cash America International [Enova, CashNetUSA, Cashland, Payday Advance]	\$447,550	\$1,440,000	\$1,887,550
9	JLL Partners [ACE Cash Express]	\$79,050	\$1,018,000	\$1,097,050
10	Amscot Financial	\$181,150	\$640,000	\$821,150
11	Grupo Salinas / Grupo Elektra [Advance America Cash Advance Centers]	\$263,170	\$480,000	\$743,170
12	LTS Management Services / Online Consumers Network / Evergreen Capital Partners / Mount Oread Ventures	\$39,300	\$600,000	\$639,300
13	Think Finance	\$86,678	\$470,000	\$556,678
14	QC Holdings [QuikCash, First Payday Loans, etc.]	\$192,707	\$0	\$192,707
15	Check Into Cash / Jones Management Services	\$191,900	\$0	\$191,900

Source: Center for Responsive Politics – Contributions of \$200 or more from PACs and individuals (mostly employees and family members) to federal candidates and from PACs, soft money (including directly from corporate and union treasuries), and individual donors to political parties, PACs, and outside spending groups, as reported to the Federal Election Commission or the IRS. Contributions from an individual are categorized by her/his employer. All lobbying expenditures come from the Senate Office of Public Records.

Campaign finance totals for the 2013-14 election cycle were released by the FEC on March 9, 2015 and by the IRS on August 4, 2014, lobbying data was released by the Senate Office of Public Records on April 20, 2015, and outside spending data was released by the FEC on March 9, 2015.

CRP has much more detail on its website about who received these contributions and about which legislation was the focus of the lobbying.

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	COMPANY/TRADE ASSOCIATION [BRAND NAMES IN BRACKETS]	CONTRIBUTIONS 2013-14 CYCLE	LOBBYING 2013 AND 2014	TOTAL CONTRIBS + LOBBYING
16	Elevate (spin-off of Think Finance)	\$4,500	\$120,000	\$124,500
17	Cash Express LLC	\$120,400	\$0	\$120,400
18	Cottonwood Financial / Cash Store / TC Financial	\$116,200	\$0	\$116,200
19	Republic Finance	\$102,350	\$0	\$102,350
20	Checksmart Financial	\$87,350	\$0	\$87,350
21	CNG Financial / Axxess Financial Services [Check 'n Go]	\$77,350	\$0	\$77,350
22	Walters Management [Service Loan South, Southern Finance Company]	\$77,084	\$0	\$77,084
23	Atlanticus Holdings / Compucredit Holdings	\$72,325	\$0	\$72,325
24	Security Finance Corporation of Spartanburg [Security Finance, Sunbelt Credit, PFS]	\$66,300	\$0	\$66,300
25	NCP Finance Ohio / Schear Financial	\$60,450	\$0	\$60,450
26	The Capital Corporation	\$59,450	\$0	\$59,450
27	First Southern Services	\$56,300	\$0	\$56,300
28	First Tower [Tower Loan]	\$55,350	\$0	\$55,350
29	Summit Group LLC	\$54,459	\$0	\$54,459
30	World Acceptance Corp [World Finance, Colonial Finance]	\$50,450	\$0	\$50,450
	38 Other Companies Spending Less than Top 30	\$567,585	\$0	\$567,585
	Total	\$4,176,283	\$11,346,101	\$15,522,384

This list includes payday lenders, auto title lenders, and installment lenders as well as Credit Services Organization (CSO) lenders and software companies that serve the industry. Contribution amounts listed here are from payday trade associations and payday company PACs and employees (and their family members) to candidates for federal office as well as to leadership PACs, to other PACs, to political party organizations, to 527 organizations, and to other outside groups.

Appendix A has a list of the trade associations and who they represent.

Top 50 Recipients of Campaign Contributions from Payday Company and Trade Association PACs and Employees, Election Cycle 2013-14

	Recipient	Office	Amount
1	National Republican Congressional Committee (NRCC)		\$223,800
2	Hensarling, Jeb (R-TX) / Jobs, Economy & Budget Fund	House	\$210,500
3	McHenry, Patrick (R-NC) / More Conservatives PAC / McHenry Leadership Fund	House	\$105,300
4	Cassidy, Bill (R-LA) / Citizens for Conservative Leadership	House	\$95,600
5	Kingston, Jack (R-GA) / Southern Conservatives Fund	House	\$88,500
6	Yoder, Kevin (R-KS) / Yoder Victory Fund	House	\$85,757
7	Stivers, Steve (R-OH) / Support to Ensure Victory Everywhere PAC / Stivers Victory Committee	House	\$80,700
8	Sessions, Pete (R-TX) / PETE PAC	House	\$76,630
9	Luetkemeyer, Blaine (R-MO) / Building Leadership and Inspiring New Enterprise	House	\$75,350
10	National Republican Senatorial Committee (NRSC)		\$70,750
11	Cotton, Tom (R-AR)	House	\$62,800
12	Scott, Tim (R-SC)	Senate	\$57,870
13	Toomey, Pat (R-PA) / Citizens for Prosperity in America Today	Senate	\$56,100
14	GOPAC		\$55,000
15	Mulvaney, Mick (R-SC) / Marketplace Ideas & Conservative Knowledge	House	\$51,250
16	Tillis, Thom (R-NC)	Senate	\$51,250
17	McCarthy, Kevin (R-CA) / Majority Committee PAC	House	\$49,750
18	Cornyn, John (R-TX) / Cornyn Majority Committee	Senate	\$47,300
19	Neugebauer, Randy (R-TX) / Liberty Project	House	\$45,800
20	Capito, Shelley Moore (R-WV) / Wild & Wonderful PAC	House	\$44,600
21	Meeks, Gregory W (D-NY) / Build America PAC	House	\$42,000
22	Crapo, Mike (R-ID) / Freedom Fund / Idaho Conservative Growth Fund	Senate	\$41,100
23	Murphy, Patrick E (D-FL)	House	\$39,500
24	Republican Party of Kentucky		\$37,750
25	Jenkins, Lynn (R-KS) / Lead Your Nation Now PAC	House	\$36,800

Source: Center for Responsive Politics – Contribution data for payday lender company and trade association PACs and employees: Contributions of \$200 or more from PACs and individuals to federal candidates and from PACs, soft money (including directly from corporate and union treasuries), and individual donors to political parties and outside spending groups, as reported to the Federal Election Commission or the IRS. Contributions from an individual are categorized by her/his employer.

Campaign finance totals for the 2013-14 election cycle were released by the FEC on March 9, 2015 and by the IRS on August 4, 2014.

Top 50 Recipients of Campaign Contributions from Payday Company and Trade Association PACs and Employees, Election Cycle 2013-14

	Recipient	Office	Amount
26	Democratic Senatorial Campaign Committee (DSCC)		\$36,000
27	Hastings, Alcee L (D-FL)	House	\$35,000
28	Wagner, Ann L (R-MO) / Ann PAC	House	\$34,250
29	Democratic Congressional Campaign Committee (DCCC)		\$32,500
30	Manchin, Joe (D-WV) / Country Roads PAC	Senate	\$31,850
31	Schultz, Debbie Wasserman (D-FL) / Democrats Win Seats PAC	House	\$31,250
32	Vitter, David (R-LA) / Fund for Louisiana's Future	Senate	\$30,500
33	Boehner, John (R-OH) / Freedom Project	House	\$30,100
34	Barr, Andy (R-KY)	House	\$27,300
35	Garrett, Scott (R-NJ)	House	\$27,000
36	McConnell, Mitch (R-KY) / McConnell Victory Kentucky / Bluegrass Committee	Senate	\$26,700
37	Warner, Mark (D-VA)	Senate	\$26,000
38	Royce, Ed (R-CA)	House	\$25,500
39	Cantor, Eric (R-VA) / Every Republican is Crucial PAC	House	\$25,375
40	Republican Party of Tennessee		\$25,350
41	American Future Fund (AFF)		\$25,000
42	Tracy, Jim (R-TN)	House	\$24,400
43	Fleischmann, Chuck (R-TN)	House	\$24,200
44	Scalise, Steve (R-LA) / Eye of the Tiger PAC	House	\$23,000
45	Duffy, Sean P (R-WI) / Ax PAC	House	\$22,900
46	Heck, Dennis (D-WA) / HECK PAC	House	\$22,500
47	Graham, Lindsey (R-SC) / Fund for America's Future / Graham Victory Committee 2014	Senate	\$21,300
48	Ross, Dennis (R-FL)	House	\$20,700
49	Roberts, Pat (R-KS)	Senate	\$20,650
50	Carney, John (D-DE)	House	\$20,500

This list includes contributions made by payday lenders, auto title lenders, and installment lenders as well as Credit Services Organization (CSO) lenders and software companies that serve the industry to candidates for federal office. Candidate affiliated leadership PACs, single-candidate Super PACs and joint victory committees that are dedicated to electing a single candidate have all been listed in line with those individual candidates.

Appendix A: Some Financial Trade Associations and the Groups They Represent

American Association of Responsible Auto Lenders (AARAL) – No website, but they seem to be the trade association for auto title lenders

American Financial Services Association (AFSA) – “national trade association for the consumer credit industry”

Community Financial Services Association (CFSA) – “national organization for small dollar, short-term lending or payday advances”

Financial Service Centers of America (FiSCA) – “national trade association representing America’s expanding financial service centers industry”

National Installment Lenders Association (NILA) – “made up of installment loan companies across the United States” and works to “ensure that the companies and customers have a voice in Washington”

Native American Financial Services Association (NAFSA) – works “to protect and advocate for Native American sovereign rights and enable tribes to offer responsible online lending products”

Online Lenders Association (OLA) – represents “U.S. based companies offering online consumer short-term loans, also known as ‘payday loans’ ”

Endnotes

1. “How State Rate Limits Affect Payday Loan Prices,” The Pew Charitable Trusts, April 2014. http://www.pewtrusts.org/~media/legacy/uploadedfiles/pes/content-level_pages/fact_sheets/StateRateLimitsFactSheetpdf.pdf
 2. “CFPB Data Point: Payday Lending,” Consumer Financial Protection Bureau (CFPB) Office of Research, March 2014, p. 4. http://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf
 3. “CFPB Takes Action Against ACE Cash Express for Pushing Payday Borrowers Into Cycle of Debt,” Consumer Financial Protection Bureau (CFPB), July 10, 2014. <http://www.consumerfinance.gov/newsroom/cfpb-takes-action-against-ace-cash-express-for-pushing-payday-borrowers-into-cycle-of-debt/>
 4. “Payday Loans and Deposit Advance Products,” Consumer Financial Protection Bureau, April 24, 2013. http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf
- “CFPB Data Point: Payday Lending,” Consumer Financial Protection Bureau Office of Research, March 2014. http://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf

Endnotes, continued

5. "United States Attorney Announces Settlement With Bank Accused Of Consumer Fraud," US Department of Justice press release, April 29, 2014. <http://www.justice.gov/usao/nce/press/2014/2014-apr-29.html>

"Judge approves Four Oaks Bank's \$1.2 million settlement," by David Ranii, News & Observer, April 28, 2014. <http://www.newsobserver.com/2014/04/28/3818029/judge-approves-four-oaks-banks.html>

In recent months, the Department of Justice has settled cases with two more banks:

"CommerceWest Bank Admits Bank Secrecy Act Violation and Reaches \$4.9 Million Settlement with Justice Department," US Department of Justice press release, March 10, 2015. <http://www.justice.gov/opa/pr/commercewest-bank-admits-bank-secrecy-act-violation-and-reaches-49-million-settlement-justice>

"Justice Department Announces Settlement with California Bank [Plaza Bank] for Knowingly Facilitating Consumer Fraud," US Department of Justice press release, March 12, 2015. <http://www.justice.gov/opa/pr/justice-department-announces-settlement-california-bank-knowingly-facilitating-consumer-fraud>

6. "Findings from a National Survey of 1,000 Likely 2014 Voters," Lake Research Partners, October 2014. <http://ourfinancialsecurity.org/blogs/wp-content/ourfinancialsecurity.org/uploads/2014/03/Lake-Slides-in-PDF-Oct-2014.pdf>

7. "Bipartisan Support for Financial Regulation and Enforcement," poll of voters, Lake Research Partners and Chesapeake Beach Consulting, January 22, 2015. <http://www.responsiblelending.org/media-center/press-releases/Memo-CRL-Bipartisan-f-012215.pdf>

8. For example, see:

"Where Have All the Lobbyists Gone? On paper, the influence-peddling business is drying up. But lobbying money is flooding into Washington, DC, like never before. What's going on?" by Lee Fang, The Nation, February 19, 2014. <http://www.thenation.com/article/178460/shadow-lobbying-complex>

"... While the official figure puts the annual spending on lobbying at \$3.2 billion in 2013, Thurber estimates that the industry brings in more than \$9 billion a year. ..."

9. "Secret Money Fueling a Flood of Political Ads," by Nicholas Confessore, New York Times, Oct. 10, 2014. <http://www.nytimes.com/2014/10/11/us/politics/ads-paid-for-by-secret-money-flood-the-midterm-elections.html>