

# CAP THE RATE

*400% is too high!*

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S.D. SEC. OF STATE

This measure places a 36% annual interest rate cap on payday, title and signature loans.

**WHY 36%:** Current state law allows payday lenders to charge 400%, 600% and much higher. There is no cap. In 2006, Congress determined a 36% annual percentage rate was the maximum interest rate a person could dig out from under on their own. Congress banned payday and title lenders on our military bases. If these loans are bad for our soldiers, they are bad for the struggling citizens of South Dakota too.

**A DEBT-TRAP BY DESIGN:** Payday, (car) title and signature loan lenders offer a defective financial product intentionally designed to be a debt trap. The average payday loan borrower repays about \$800 on a \$300 loan because they must take out multiple loans in quick succession to keep up with mounting debts. According to the *Center of Responsible Lending*, 90% of payday lending business is generated by trapped borrowers with five or more loans per year. Trapped borrowers are the norm, and the business model for these predatory lenders is intentionally built on this cycle of debt.

**PREYING ON THE POOR:** It's called predatory lending for a reason. These high interest loans are marketed to financially unsophisticated and financially desperate people who are barely surviving on the economic fringes of our society. The elderly and poor in South Dakota are being targeted and exploited.

  
For more information visit... [CapTheRateSD.com](http://CapTheRateSD.com)

STATE OF SOUTH DAKOTA

**Title:** An initiated measure to set a maximum finance charge rate for certain money lenders.

**Attorney General Explanation:**

The initiated measure prohibits certain State-licensed money lenders from making loans with a finance charge greater than an annual percentage rate of 36%. These money lenders make commercial and personal loans, including installment, automobile, short-term consumer, payday, and title loans.

The measure does not apply to loans made by state and national banks, other federally insured financial institutions, and state chartered trust companies. The measure also does not apply to businesses that provide financing for goods or services they sell.

**Paid for by South Dakotans for Reasonable Lending.** *South Dakotans for Reasonable Lending is an advocacy coalition for low income and elderly borrowers in our state. See [CapTheRateSD.com](http://CapTheRateSD.com) for more info.*

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SEPTEMBER, 2013



SECRETARY OF STATE