



WITH INTEREST
PREDATORY FINANCIAL SERVICES INDUSTRY
CONTRIBUTES TO STATE POLITICS

By
SCOTT JORDAN

JULY 23, 2008

This publication was made possible by grants from:

Carnegie Corporation of New York, *Strengthening U.S. Democracy*
Ford Foundation, *Program on Governance and Civil Society*
The Pew Charitable Trusts, *State Policy Initiatives*
Rockefeller Brothers Fund, *Program on Democratic Practice*

In 2007, the U.S. Congress passed a law restricting payday lenders from charging more than 36 percent interest to members of the active duty military or their families.¹ Since then, seven state legislatures have attempted to expand the law, capping the interest rate at 36 percent for all citizens.² Jamie Fulmer, director of public affairs at payday lender Advance America, stated that putting 36 percent caps on interest rates is designed to force payday lenders out of business.³ According to the Center for Responsible Lending, fifteen states currently prohibit payday loans by capping the interest rates at prohibitive rates.⁴

In 2003, nearly 50 bills relating to the predatory lending industry in 23 states were introduced. In 2007, in 33 states more than 100 bills were introduced in state legislatures. As legislators across the country propose additional regulation regarding the predatory financial services industry, the payday lenders have increased their political giving.

Since the 2000 election cycle, companies and associations representing the predatory financial services industry have contributed more than \$10.2 million to state-level candidates and party committees in 41 states.⁵ Individuals associated with the lending industry gave another \$3.54 million in 45 states.

PREDATORY FINANCIAL SERVICES INDUSTRY GIVING BY CYCLE, 2000-2006

CYCLE	CANDIDATES	PARTY		TOTAL
		CANDIDATES	COMMITTEES	
2000	\$1,225,354	\$310,181		\$1,535,535
2002	\$2,235,518	\$611,143		\$2,846,661
2004	\$2,644,947	\$554,664		\$3,199,611
2006	\$4,735,423	\$1,465,907		\$6,201,330
TOTAL	\$10,841,242	\$2,941,894		\$13,783,137

Winning candidates and officeholders not up for election received \$7.6 million while losing candidates received \$1.8 million. Party committees received more than \$2.9 million, with Republican Party committees receiving almost twice as much as Democratic Party committees.

¹ Teresa McUsic, "Watch Step as Payday Lenders Spread," *Star-Telegram.com*, April 11, 2008, available from http://www.star-telegram.com/business/columnists/teresa_mcusic/story/575766.html, accessed April 21, 2008.

² "Banking and Financial Services: Introduced Payday Lending Legislation – 2008 Session," *National Conference on State Legislatures*, available from http://www.ncsl.org/programs/banking/PaydayLending_2008Pending.htm, accessed June 20, 2008.

³ Tim Jones, "States to Payday Lenders: Denied," *Chicago Tribune*, March 23, 2008, sec. State and Regional News.

⁴ Stephen C. Fehr, "Voters May Decide Fate of Payday Loans," *Stateline*, June 18, 2008, available from <http://www.stateline.org/live/details/story?contentId=318856>; accessed June 19, 2008.

⁵ This report is an update to an Institute report entitled "Political Payday," which was released on March 9, 2007. This report updates legislation proposed in 2007 and 2008 legislative sessions as well as having complete data from the 2006 election cycle for all states.

Gubernatorial candidates received \$2.4 million. The industry also gave an additional \$320,600 to ballot measure committees in seven states since 2004.⁶

INCREASED ATTENTION

Fueling much of the legislative interest in the industry is its rapid growth and increased presence on the American landscape. In Ohio, for example, there are more payday lenders than the McDonald's, Burger King and Wendy's restaurants combined.⁷

The predatory financial services industry — which includes payday advance lenders, title loan companies, check cashing companies, and pawn shops — has a keen interest in keeping regulation to a minimum.

In addition to setting caps on interest rates, state lawmakers are also pursuing the creation of statewide databases to track payday loans. These databases would help enforce legislation that limits the number of payday loans consumers can take out both consecutively and concurrently and limit consumers' opportunities to roll over loans or cover loans at one lender with a loan from another lender. In Colorado, for example, a report by the administrator of the Colorado Uniform Consumer Credit Code found that “consumers who borrow 12 or more times a year accounted for two-thirds of the load volume of a typical payday lender” in the state.⁸ Nine states introduced such legislation in 2007 and 2008; only in Virginia did the legislation become law.

Pressure on the industry is coming not only from statehouses, but also from citizens. In Arizona, a law that allows the industry to operate in the state will expire in 2010, effectively shutting down payday lenders. The payday loan industry backs a 2008 measure abolishing the expiration date, while opponents of the industry recently ended a separate campaign to shut down the industry, choosing instead to focus on defeating the initiative backed by payday lenders.⁹

WHO GIVES

The top 15 lenders combined to give \$6.6 million since the 2000 cycle, accounting for less than half of the contributions by the industry. A majority of these companies deal in payday loans.

Top Givers

- *Advance America* contributed nearly \$1.1 million in 30 states. Hardly partisan, the company gave to both sides of the aisle, slightly favoring Republican candidates and committees with \$578,309, while giving Democratic candidates and committees \$512,912.
- *Cash America International* doled out a total of \$821,518. Republican candidates and committees received \$440,263; Democratic candidates and committees received \$381,755. The company contributed heavily

⁶ The institute did not collect data on ballot measures for all states prior to the 2004 elections, so only selected measures prior to 2004 were included in this report.

⁷ Tim Jones, “States to Payday Lenders: Denied,” *Chicago Tribune*, March 23, 2008, sec. State and Regional News

⁸ *Ibid.*

⁹ Matthew Benson, “Payday Loan Foes End Drive,” *Arizona Republic*, June 17 2008, available from <http://www.azcentral.com/news/articles/2008/06/17/20080617payday-loan0617.html>, accessed June 18, 2008.

in four states, giving \$212,138 in Texas, \$122,250 in Florida, \$55,750 in Georgia, and \$53,255 in Illinois.

- *The Illinois Small Loan Association* gave more than \$760,011, contributing \$434,611 to Democratic candidates and committees and \$325,400 to Republican candidates and committees.
- *The Consumer Lending Alliance*, an industry trade group,¹⁰ gave more than \$718,017 in 15 states. Illinois candidates and committees received more than one-third, or \$279,100 of that money.
- *Check Into Cash* made contributions in 24 states, but gave half of its contributions in just two states. Candidates and committees in California and Illinois received \$114,700 and \$111,850, respectively. Check Into Cash also contributed \$45,125 to candidates and committees in Indiana.
- *The Illinois Community Currency Exchange Association*, a business that primarily deals with check cashing, gave close to \$420,000, contributing \$265,600 to Democratic candidates and committees and \$154,000 to Republican candidates and committees in the state.
- Two subsidiaries of *CNG Financial*, an Ohio-based financial services company,¹¹ made substantial contributions. Check ‘n Go gave \$221,550 and the 409 Group gave \$297,300 totaling more than \$518,850 in 22 states.

TOP PREDATORY FINANCIAL INDUSTRY CONTRIBUTORS, 1999–2006

COMPANY	TOTAL
Advance America	\$1,095,221
Cash America International	\$821,518
Illinois Small Loan Association	\$760,011
Consumer Lending Alliance	\$718,017
Check Into Cash	\$426,875
Illinois Community Currency Exchange Association	\$419,600
Amscot Corp.	\$358,900
Select Management Resources	\$306,971
The 409 Group	\$297,300
Check Cashers Association of New York	\$280,149
TitleMax	\$261,723
California Financial Service Providers	\$234,500
Check ‘n Go	\$221,550
Anderson Financial Services/LoanMax	\$222,921
Moneytree Inc.	\$208,579
TOTAL	\$6,632,834

¹⁰ Rob Swenson, "Quick Loans Carry Hefty Price in S.D.," *Sioux Falls Argus Leader*, March 25 2002, Sec. A, p. 1.

¹¹ Kevin Aldridge, "Financial Firm Builds at Mason Office Park," *Cincinnati Enquirer*, July 22, 1999, available from http://www.enquirer.com/editions/1999/07/22/loc_financial_firm.html; accessed March 8, 2007.

Individuals Affiliated with the Predatory Lending Industry

The owner of LoanMax and Select Management Resources — Rod Aycox, and his wife Leslie Vail Aycox, both of Alpharetta, Ga. — contributed \$522,100 from 2000 to 2006. Aycox himself gave slightly more than \$460,000. Half of the contributions came in 2006, with 72 percent of the money contributed in Georgia, Iowa and Oregon.

The owner of Check Into Cash — W. Allan Jones and his wife Janie Jones, both of Cleveland, Tenn. — contributed \$435,742. W. Allen Jones himself contributed nearly \$380,000 of this amount, concentrating 60 percent of the money in Tennessee.

The owner of Advance America — William Webster IV and his wife Lindsay Webster, both of Spartanburg S.C. — gave more than \$350,000. Webster himself gave nearly \$280,698, with \$150,000 of that going to the Florida Democratic Party.

WHO GETS

Ten states received nearly 69 percent of the \$13.7 million doled out by the industry, with Illinois in the lead.

TOP 10 RECIPIENT STATES OF PAYDAY INDUSTRY CONTRIBUTIONS, 1999-2006

STATE	2000 TOTAL	2002 TOTAL	2004 TOTAL	2006 TOTAL	TOTAL
Illinois	\$245,750	\$592,171	\$673,425	\$1,010,164	\$2,521,510
Florida	\$186,762	\$184,340	\$132,668	\$816,880	\$1,320,650
Georgia	\$33,740	\$168,075	\$250,035	\$742,054	1193904
California	\$195,235	\$209,800	267,949	\$450,039	\$1,152,323
Texas	\$34,140	\$142,418	\$174,040	\$365,384	\$715,982
Tennessee	\$54,550	\$241,900	\$94,629	\$205,575	596654.32
South Carolina	\$57,975	\$130,450	\$141,882	\$245,040	\$575,347
New York	\$117,487	\$195,885	\$89,703	\$150,225	\$553,300
Missouri	\$107,740	\$86,001	\$109,287	\$135,792	438820.1
Oregon	\$94,329	\$62,750	\$82,500	\$143,700	\$383,279
TOTAL	\$1,127,708	\$2,013,790	\$2,016,118	\$4,264,853	\$9,451,769

In **Illinois**, 11 bills regarding the predatory financial services industry were introduced in 2007 and nine so far in 2008.¹² None these bills have has passed at time of print.¹³ In 2007, Illinois Gov. Rod Blagojevich, a Democrat, “effectively gutted a bill to prevent predatory lending practices that he signed into law only last year [2006]”¹⁴ Blagojevich is no stranger to the predatory financial services industry, receiving \$466,750 in campaign contributions since 2002. Blagojevich’s re-election campaign in 2006 netted \$243,239 of those contributions from the industry.

¹² “Banking and Financial Services: Introduced Payday Lending Legislation – 2007 Session,” National Conference on State Legislatures, available from http://www.ncsl.org/programs/banking/PaydayLending_2007Pending.htm, accessed June 20, 2008.

¹³ *Ibid.*

¹⁴ Phil Kadner, “Governor Guts Madigan Bill on Lending,” *Daily Southtown*, Jan. 23, 2007, available from <http://dailysouthtown.com/news/kadner/224485,231pkd1.article>, accessed Jan. 25, 2007.

In **California**, the industry focused 72 percent, or \$827,224, of its contributions in the state on legislators. The largest industry contributor in the state was California Financial Service Providers, which has contributed \$234,500 since 2000. The second leading contributor was Advance America, which has contributed \$216,309 since 2000. Gov. Arnold Schwarzenegger, a Republican, received \$114,500 from the industry. The California Democratic Party received more than twice as much as the state Republican Party: \$92,199 to \$42,700.

In **Florida**, the industry focused on the two state parties, concentrating \$910,328 — or two-thirds of their giving — on them. Most of the money came from two cash advance companies — Amscot Financial and Advance America. The Florida Democratic Party received \$35,000 from Amscot Financial and \$25,000 from Advance America. The Florida Republican Party received \$265,200 from Amscot Financial and \$209,413 from Advance America. The industry contributed 62 percent of its giving in the 2006 cycle, giving \$816,880 of \$1,320,650 of its contributions in that election.

Georgia banned payday lending in 2004 but two bills were introduced in 2007 and 2008 repealing the law, both of which failed. The predatory financial services industry has given \$1,193,904 in **Georgia** since 2000. Nearly \$742,054, or 62 percent, of the contributions the industry gave in the state came in the election 2006 cycle preceding the 2007 and 2008 legislative sessions. This was a three times more than previous cycle, when the industry contributed just \$250,035. Since 2000, Republican candidates received \$670,607 while Democratic candidates received \$391,065. Republican party committees received \$105,482 while Democratic committees received \$24,250.

In **Virginia**, giving by the industry spiked in the 2005 cycle, when candidates and party committees in the state received 86 percent — or \$277,935 of \$322,790 — of the contributions that the industry has given since 1999. In 2007, myriad legislation was proposed regulating the industry, including a bill to create a borrower database that would ensure that the cap on the number of payday loans a person could take out at one time was maintained, as well as capping the interest rate on a payday loan at 36 percent. No 2007 legislation regulating the industry made it to Democratic Gov. Tim Kaine's desk.

In the 2008 session, however, a piece of legislation that required both the borrower database and the 36 percent cap on interest rates emerged from the General Assembly and became law. In Virginia, the industry has focused a majority of its contributions on the legislative side giving \$179,547 since 1999 — \$131,192 of that in 2005. Republican gubernatorial candidate Jerry Kilgore received more than \$75,000 from the industry in his 2005 losing election to Kaine, who received just \$5,000 from the industry.

In **South Carolina**, failed legislation in 2007 sought to prohibit borrowers from taking out consecutive and concurrent loans; create a statewide database; and cap interest rates at 36 percent. In 2008, the state Democratic Party added to its platform a plank supporting a ban on payday loans in the state, calling on its candidates not to accept any funds from the industry.¹⁵

South Carolina is home to the biggest single predatory lending industry contributor across the nation, Advance America, which has given nearly \$90,000 in the state since 1999. In 2006, the industry contributed \$245,040 to candidates and party committees in the state, giving \$107,650 to Democratic recipients and \$135,600 to Republican recipients. Contributions in the 2006 cycle accounted for 43 percent of the more than \$575,000 the industry has given since 2000. In 2004,

¹⁵ Jason Spencer, "S.C. Democratic Convention a Colorful Experience for Local Supporters," *Spartenburg Herald-Journal*, May 4, 2008, available from <http://www.goupstate.com/article/20080504/NEWS/805040354/1051/NEWS01>, accessed May 20, 2008.

the industry also favored Republicans, contributing more than \$100,000 while Democrats received slightly more than \$30,000.

In **Texas**, Democratic State Sen. Eliot Shapleigh, who claims to have unsuccessfully tried to pass 25 bills related to the industry in the last three sessions, sees himself as no match for industry lobbyists whose tactics include “following me around to kill these bills.”¹⁶ While none of Shapleigh’s opponents have received contributions from the industry, Shapleigh received \$2,000, all in 2006. The industry has given \$715,982 in the state since 2000, 51 percent of which, or \$365,384, came in 2006. The industry focused close to 76 percent of its contributions on state legislative candidates.

In **Kansas**, no legislation regulating the industry was introduced in 2006 and just one bill in 2005. In the 2007 and 2008 sessions, legislation sought to create a loan database and a cap on the number of consecutive or concurrent loans a borrower may take out. The bill failed to make it out of committee. Giving in Kansas by the industry increased in the 2006 cycle when the industry gave more than \$150,000, or 77 percent of the more than \$200,000 it has given since 2000. Legislators have been the recipients of most of the good fortune, garnering 69 percent — or \$139,400 of the industry’s contributions. Party committees were the recipients of more than \$30,000. In 2006, the industry gave more than \$100,000 to more than 140 incumbent candidates in the Legislature. Anderson Financial Services/LoanMax has contributed \$116,000 in the state since 2000.

In 2007, **Oregon** became the first state to impose a 36 percent interest cap on all payday loans. The predatory financial services industry has given \$383,279 in the state since 2000. Thirty-seven percent of that, or \$143,700, came in the 2006 cycle.

As the number of payday lenders in **Ohio** has dramatically increased,¹⁷ the state’s Legislature has taken notice, increasing the amount of legislation proposed to regulate the industry. In each of the last three years, legislation has been introduced intending to ban payday lenders from lending to customers who have outstanding loans to other payday lenders. During the 2005 and 2006 legislative sessions, two bills were introduced, while in 2007 and to date in 2008, 13 bills have been introduced. On June 2, 2008, Ohio Gov. Ted Strickland — a Democrat — signed a bill that capped interest rates at 28 percent and limited individuals to four loans a year. The payday lending industry objected to the bill, claiming it would “force them to close offices and lay off workers.”¹⁸ While the industry has given \$262,835 since 2000, it gave 64 percent of that in the 2006 election cycle.

Contributions by Office and Candidate Type

State legislative candidates received \$7.6 million, or 55 percent of the \$13.8 million given by the predatory financial services industry. Candidates for governor and lieutenant governor also garnered significant funds, receiving \$2.4 million, which was doled out evenly between Democratic and Republican candidates. Candidates for other statewide constitutional offices, such as secretary of state, treasurer, attorney general, received \$820,999.

¹⁶Daniel Novick, “Shapleigh Ready to Fight With Payday Lenders,” *KFOX: KFOXTV.COM*, April 10, 2008, available from <http://www.kfoxtv.com/news/15847170/detail.html>; accessed April 21, 2008.

¹⁷ Tim Jones, “States to Payday Lenders: Denied,” *Chicago Tribune*, March 23, 2008, sec. State and Regional News.

¹⁸ “Ohio Governor Signs Law Restricting Payday Lending,” *Associated Press*, June 2, 2008, available from <http://www.forbes.com/feeds/ap/2008/06/02/ap5070927.html>, accessed June 16, 2008.

CONTRIBUTIONS BY TYPE OF RECIPIENT, 2000-2006

TYPE	DEMOCRAT	REPUBLICAN	OTHER	TOTAL
Legislative	\$3,697,716	\$3,858,469	\$8,145	\$7,564,330
Party Committees	\$1,016,919	\$1,924,976	\$0	\$2,941,895
Governor/Lieutenant				
Governor	\$1,232,473	\$1,189,652	\$6,564	\$2,428,689
Other Statewide	\$323,810	\$494,849	\$2,790	\$820,949
TOTAL	\$6,270,418	\$7,467,946	\$17,499	\$13,756,863

State party committees received \$2.9 million in contributions. The GOP was favored by more than a two-to-one margin, receiving nearly \$1.9 million.

Ballot measure committees also received contributions from the predatory financial services industry. In Ohio, all of the industry giving went to a 2005 committee opposing four failed ballot initiatives calling for various election reforms, one of which included redistricting.¹⁹ The initiatives pitted Democrats and labor unions against Republicans and business interests.²⁰ The industry gave \$209,000 to the Ohio First Voter Education Fund.

¹⁹ Ohio Election Reforms Fail Despite Scandals, *Stateline*, Nov 7. 2005, available from <http://www.stateline.org/live/ViewPage.action?siteNodeId=136&languageId=1&contentId=65870>, accessed March 5, 2007.

²⁰ Joe Hallet, "State Issues Stir Both Sides of the Aisle," *The Columbus Dispatch*, Oct. 23 2005, available from <http://www.dispatch.com/news-story.php?story=dispatch/2005/10/23/20051023-A1-04.html>, accessed March 5, 2007.

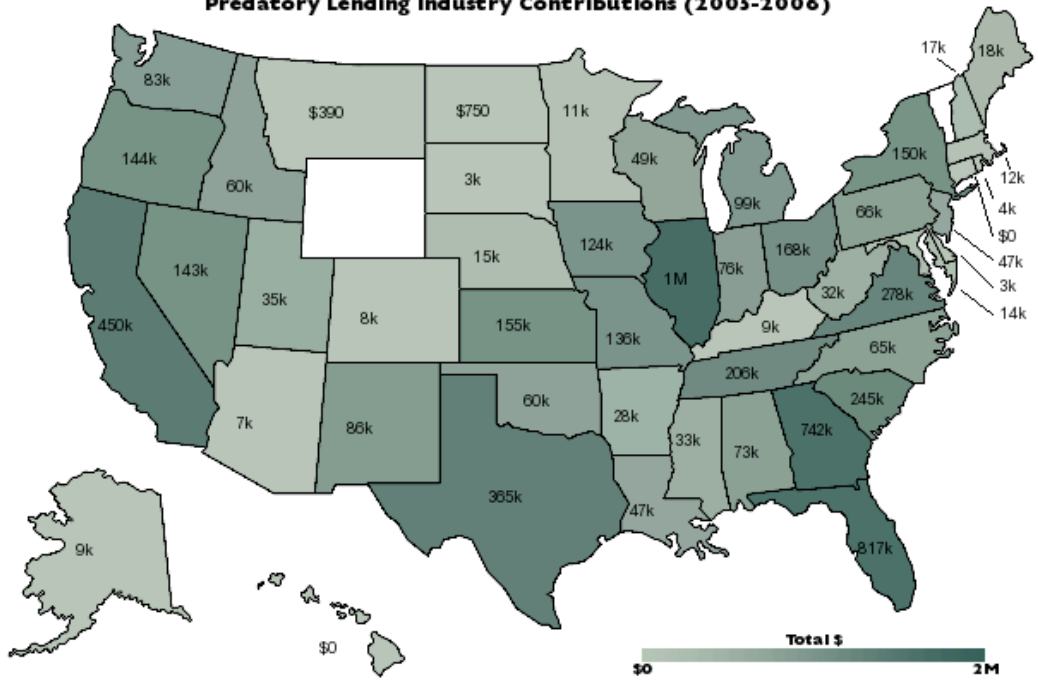
**PREDATORY FINANCIAL SERVICES INDUSTRY CONTRIBUTIONS BY STATE,
1999-2006**

STATE	2000 TOTAL	2002 TOTAL	2004 TOTAL	2006 TOTAL	TOTAL
Illinois	\$245,750	\$592,171	\$673,425	\$1,010,164	\$2,521,510
Florida	\$186,762	\$184,340	\$132,668	\$816,880	\$1,320,650
Georgia	\$33,740	\$168,075	\$250,035	\$742,054	\$1,193,904
California	\$195,235	\$209,800	\$297,249*	\$450,039	\$1,152,323
Texas	\$34,140	\$14,2418	\$174,040	\$365,384	\$715,982
Tennessee	\$54,550	\$241,900	\$94,629	\$205,575	\$596,654
South Carolina	\$57,975	\$130,450	\$141,882	\$245,040	\$575,347
New York	\$117,487	\$195,885	\$89,703	\$150,225	\$553,300
Missouri	\$107,740	\$86,001	\$109,287	\$135,792	\$438,820
Oregon	\$94,329	\$62,750	\$82,500	\$143,700	\$383,279
Nevada	\$21,350	\$64,400	\$104,500	\$142,950	\$333,200
Virginia	\$3,450	\$5,900	\$35,505	\$277,935	\$322,790
Washington	\$51,275	\$49,100	\$136,205	\$82,875	\$319,455
Ohio	\$20,615	\$31,250	\$43,130	\$167,840	\$262,835
North Carolina	\$39,468	\$50,150	\$97,349	\$65,000	\$251,967
Indiana	\$34,370	\$24,050	\$87,050	\$75,850	\$221,320
Kansas	\$400	\$6,825	\$39,050	\$154,700	\$200,975
Michigan	\$30,144	\$44,425	\$27,150	\$98,776	\$200,495
Wisconsin	\$30,452	\$69,000	\$48,925	\$49,245	\$197,622
Alabama	\$1120	\$114,225	\$1,500	\$73,075	\$189,920
Louisiana	\$25,760	\$5,000	\$99,430	\$46,996	\$177,186
Pennsylvania	\$24,205	\$56,850	\$26,925	\$65,576	\$173,556
New Mexico	\$6,790	\$48,500	\$26,060	\$85,933	\$167,283
New Jersey	\$5,500	\$65,525	\$46,775	\$47,100	\$164,900
Iowa	\$200	\$9,400	\$15,600	\$124,425	\$149,625
Arkansas	\$26,900	\$56,350	\$29,850	\$28,200	\$141,300
Idaho	\$9,750	\$25,750	\$35,850	\$60,400	\$131,750
Oklahoma	\$3,700	\$15,045	\$46,441	\$59,500	\$124,686
Mississippi	\$23,167	\$3,600	\$49,100	\$32,950	\$114,367
Utah	\$11,729	\$1,000	\$50,350	\$34,900	\$97,979
West Virginia	\$100	\$2,500	\$15,750	\$32,450	\$50,800
Kentucky	\$24,350	\$9,400	\$8,776	\$8,500	\$51,026
Maryland	\$0	\$25,863	\$5,600	\$13,820	\$45,283
Colorado	\$615	\$14,700	\$10,650	\$7,700	\$33,665
Alaska	\$500	\$500	\$20,950	\$8,980	\$30,930
Massachusetts	\$2,375	\$6,225	\$8,250	\$12,238	\$29,088
New Hampshire	\$0	\$3,050	\$8,400	\$16,500	\$27,950
Arizona	\$7,506	\$8,390	\$3,040	\$7,019	\$25,955
Maine	\$100	\$500	\$3,500	\$18,000	\$22,100
Minnesota	\$0	\$1,750	\$4,000	\$11,380	\$17,130
Nebraska	\$0	\$0	\$220	\$14,500	\$14,720

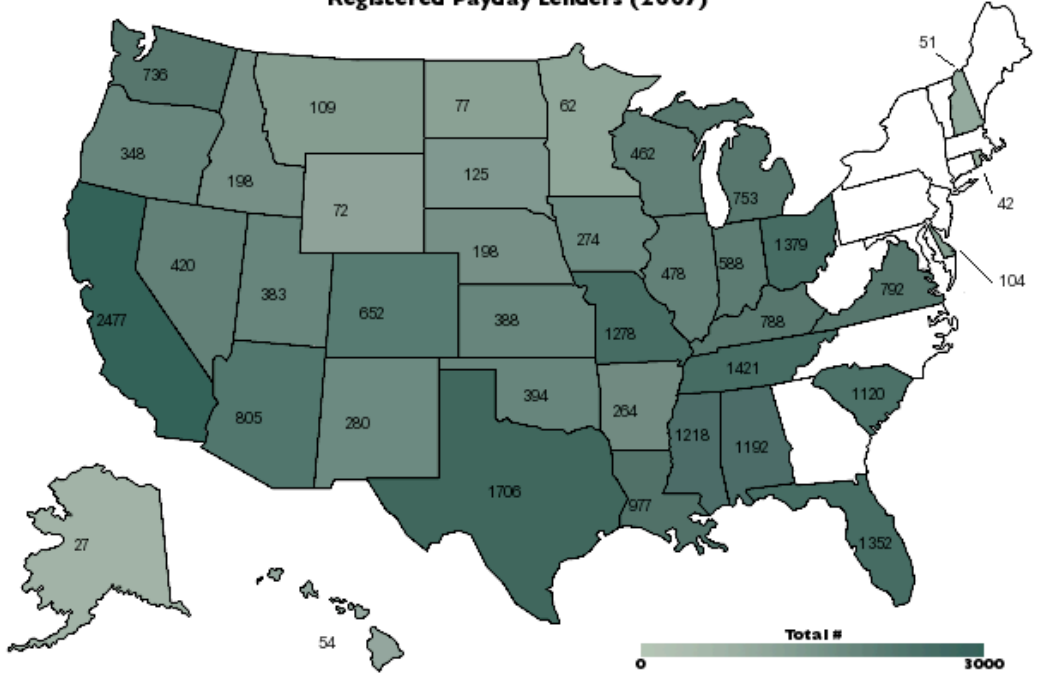
STATE	2000 TOTAL	2002 TOTAL	2004 TOTAL	2006 TOTAL	TOTAL
Montana	\$661	\$548	\$9,112	\$390	\$10,710
Delaware	\$0	\$7,450	\$0	\$3,000	\$10,450
South Dakota	\$0	\$4,050	\$1,500	\$2,750	\$8,300
Rhode Island	\$0	\$300	\$1,450	\$4,275	\$6,025
Hawaii	\$775	\$1,000	\$200	\$0	\$1,975
North Dakota	\$0	\$0	\$500	\$750	\$1,250
Connecticut	\$500	\$300	\$0	\$0	\$800
TOTAL	\$1,535,535	\$2,846,661	\$3,199,611	\$6,201,330	\$13,783,136

*Figure includes 2003 Gubernatorial recall election contributions of \$29,300.

Predatory Lending Industry Contributions (2005-2006)



Registered Payday Lenders (2007)



Source: <http://www.csun.edu/~sg4002/research/usury.html>