n states where overly-aggressive APR limits have been imposed on small dollar loans, the consequences are unequivocal: A rapid and catastrophic reduction in the availability of safe and affordable credit for people who rely on it, and an increased reliance on unsafe or illegal forms of credit, with an allied effect on poverty levels, well-being, and financial mobility.

Several states have over-regulated lenders. In most if not all cases this has acted as an effective ban on small dollar consumer lending, with disastrous consequences for those affected:

**Georgia and North Carolina**

After the imposition of APR caps in Georgia and North Carolina effectively banned small-dollar loans, a Federal Reserve Bank of New York study\(^1\) reported that people “bounced more checks, complained more about lenders and debt collectors and have filed for Chapter 7 (‘no asset’) bankruptcy at a higher rate”.

**Montana**

Press reports\(^2\) detail that, after Montana passed a 36 percent APR cap, the levels at which state-regulated installment loans were made fell from 98,000 per month to zero. At the same time, Tribal Lenders and out-of-state banks, exempt from the law, stepped in to meet demand by **offering payday loans at APR rates way above the rates allowed in the state** (one lender offered a $200, six month loan at 800% APR). A year after the cap was imposed, a report by the commissioner of banking noted that **“Complaints of Illegal Tribal Lenders increased significantly with APR’S of 1,000% +.”**\(^3\)

**Oregon**

According to an article in Governing magazine,\(^4\) one year after implementing a 36 percent interest rate cap, 75 percent of Oregon’s 360 small-dollar lending offices closed. Consumer **complaints against unregulated Internet lenders doubled**, representing nearly 70 percent of all complaints about lenders. Furthermore, The Portland Business Journal\(^5\) reported that after the law passed, Oregon became “…a hotbed for illegal Internet payday loans.”

**South Dakota**

A year after South Dakotans passed a ballot initiative in 2016 that imposed a 36% “all-in” APR cap, local media\(^6\) reported that at least 162 small-dollar lenders did not renew their licenses, with regulators estimating relatively **few licensed lenders remain**. It also reported that credit counselors in the state suspect borrowers simply migrated to **online lenders who charge triple and quadruple digit rates**, while **pawn shops reported a sharp rise in business**.

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1. [https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr309.pdf](https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr309.pdf)
2. [https://www.governing.com/archive/gov-payday-lending-online.html](https://www.governing.com/archive/gov-payday-lending-online.html)
3. [https://www.governing.com/archive/gov-payday-lending-online.html](https://www.governing.com/archive/gov-payday-lending-online.html)
4. [https://www.governing.com/archive/gov-payday-lending-online.html](https://www.governing.com/archive/gov-payday-lending-online.html)