

Survey: 90% of borrowers regret taking out a payday loan

DebtHammer.org findings show 80% say their short-term loan worsened their financial situation instead of helping

AUSTIN, TEXAS, USA, December 1, 2021 /EINPresswire.com/ -- Payday loans are a common source of quick cash for low-income borrowers in the U.S.



Low-income households see saving as impossible, but with the right strategy, it's possible to build an emergency fund that can ward off the need for payday loans."

*Dr. Robert H. Scott III,
Monmouth University
Professor*

They're so popular that there are about 23,000 payday lenders across the country — that's twice the number of McDonald's restaurants in America. The loans are lucrative for payday lenders — it's a \$9 billion industry — but costly for borrowers. The national average annual percentage rate (APR) is 400%, but that's just the beginning. Most borrowers can't afford to pay back the original loan, which can trap them in a long-term cycle of debt.

And that leads to long-term regret. How much? To mark the International Day of Banks on Dec. 4, DebtHammer.org

set out to learn. We surveyed more than 250 Americans from September 8-14 to study [how payday loans impacted borrowers](#).

Here are the key findings:

They don't improve financial well-being: More than 90% of respondents said they regret taking out their original loan. Roughly 80% of those surveyed said that their payday loan left them in a worse position than they were in before they took out the loan. This can be particularly troubling in cities with payday lending problems.

Borrowers aren't using them for emergencies: Only about 23% of respondents said they used the money to cover a sudden, unexpected expense like a car repair or medical bill. The majority used them to cover everyday expenses like groceries, credit card bills, utility bills, rent or mortgage, gasoline or prescription medications.

Short-term loans don't help in the long run: About 65% of respondents said they've had to skip paying another bill to pay back their loans. This is particularly troubling considering that a

previous DebtHammer survey found that [58% of Americans](#) expect to take out a payday loan or other short-term loan to pay for their holiday celebrations.

Read the full report at: <https://debthammer.org/payday-loans-survey>.

DebtHammer is an industry leader in the business of fighting to get Americans out of debt.

Please email media@debthammer.org for more information, or to schedule a phone or video call with DebtHammer's Founder and CEO, Jake Hill.

Feel free to embed any of the visuals included in the report on your website, or to use or edit the raw files as needed. Full data sets are available upon request.

Advice from the experts:

In your opinion, what's the biggest financial challenge Americans are currently facing?

Many Americans continue to struggle with the lack of savings. The COVID pandemic has added additional factors and we are now becoming increasingly aware of the relationship between financial health and physical health which is still poorly understood. Furthermore, there is a lot of uncertainty given expiring benefits the difficulty of knowing what comes next.

Dr. Matthew Harding

Professor of Economics and Statistics & director of the Deep Data Lab, University of California, Irvine (answers are in collaboration with Professor Giacomo De Giorgi, director of the Institute of Economics and Econometrics at the Geneva School of Economics and Management, University of Geneva.)

Many Americans are struggling to get out of debt. In your opinion, what should they prioritize?

The cycle is an existential threat to their livelihood. They must end it or they will be wiped out. It gets worse over time so stopping as soon as possible is key. People have a tendency to rationalize bad financial decisions and keep doing them to justify those rationalizations. It is better to just acknowledge a mistake — we all make them — and then decide what is the best course of action going forward. Of course for many people, they may be entirely aware of their predicament but feel unable to do anything.

Dr. Alexander Brown

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