SB 91: A step in the right direction for borrowers

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Payday loans in Alabama carry astonishingly high interest rates: up to **456 percent** a year. These loans pose as a helpful source of credit, but far too often they act as financial quicksand, trapping borrowers in cycles of debt that can be hard to escape. **SB 91** would give Alabama's payday borrowers a less expensive path out of debt.

What would SB 91 do?

- This bill, sponsored by Sen. Arthur Orr, R-Decatur, proposes changing Alabama's payday loan law to be more like Colorado's law.
- Payday borrowers would be allowed to pay down the principal in installments instead of the all-or-nothing, lump-sum payment now required.
- Payday borrowers would get at least six months to repay their loans.
- The interest rate cap on the loans would vary depending on the size of the loan and how quickly it is repaid. The maximum loan size would remain $500.

SB 91 would help Alabama borrowers get out of debt.

- Payday loans would be cheaper, and borrowers would have longer to repay.
- Borrowers also would be able to pay down the principal in installments.

SB 91 would not put the payday loan industry out of business.

- Colorado's payday loan industry remains profitable, but there are fewer stores.
- Alabama could expect to see a similar consolidation of the industry.

What's the bottom line?

- SB 91 strikes a middle ground, compromising between a 36 percent rate cap and a status quo that sinks far too many Alabamians deep in debt.
- Allowing borrowers to pay down the principal on payday loans in installments would help them escape debt more quickly.
- SB 91 would provide more consumer protections on small, short-term loans.
- SB 91 would improve the payday lending landscape for Alabama consumers.