



The Perryman Group

# The Economic Consequences of Predatory Lending

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Payday and auto title lending cause harms well beyond the extremely high interest associated with the loans. Such predatory loans increase financial distress for some of the most vulnerable populations and negatively affect the economy.

Oftentimes, the fees and short-term due dates cause families to become mired in a cycle of debt in which they are paying large amounts on rollover fees but never come any closer to retiring the original loan. Defaults can seriously damage credit, not only making it more difficult to obtain low-cost loans in the future, but also impairing the ability to find a job or affordable housing since employers and landlords increasingly make decisions based on credit history. In fact, according to the Center for Responsible Lending, one in seven job seekers with "blemished credit" were passed over for a job following a credit check. Also, the community as a whole can suffer as lending

drains away resources normally spent in the local economy and causes an added strain on social services from families caught in a cycle of debt.

Negative effects of predatory loans generate additional losses through the economy due to multiplier effects such as reduced consumer spending. A substantial portion of the amounts paid to predatory lenders leaves the area, while the normal spending by the affected households is displaced. Based on the results of the recent survey from the East Texas Human Needs Network, The Perryman Group estimates that the payday and auto title loans lead to a decrease in business activity in the Tyler area of **\$24.2 million** in annual total spending, nearly **\$12.0 million** in annual gross product, **\$7.3 million** in annual personal income, and **151 jobs** (including multiplier effects).

## The Estimated Annual Impact Associated with Predatory Lending on Business Activity in the Tyler Area

Industry	Total Expenditures	Gross Product	Personal Income	Jobs
Agriculture	-\$519,399	-\$141,484	-\$96,249	-1
Mining	-\$404,959	-\$90,880	-\$46,660	-0
Utilities	-\$1,279,165	-\$287,038	-\$125,256	-1
Construction	-\$478,510	-\$245,217	-\$202,074	-3
Manufacturing	-\$1,839,883	-\$624,902	-\$349,164	-5
Wholesale Trade	-\$543,197	-\$367,583	-\$211,951	-2
Retail Trade	-\$7,562,566	-\$5,711,920	-\$3,327,424	-93
Transportation & Warehousing	-\$448,934	-\$312,056	-\$206,383	-3
Information	-\$828,064	-\$511,641	-\$218,436	-2
Financial Activities	-\$5,567,988	-\$896,749	-\$335,075	-3
Business Services	-\$720,018	-\$403,617	-\$329,248	-4
Health Services	-\$1,462,692	-\$1,036,724	-\$876,560	-13
Other Services	-\$2,594,403	-\$1,352,756	-\$1,073,147	-21
<b>Total, All Industries</b>	<b>-\$24,249,778</b>	<b>-\$11,982,567</b>	<b>-\$7,397,627</b>	<b>-151</b>

## THE PERRYMAN GROUP



The Perryman Group is a focused team of analysts who know how to address complex economic information tasks and present our findings effectively.

Our in-house professionals bring expertise in **economics, finance, statistics, mathematics, real estate, valuation, systems analysis, engineering, technical communications, and marketing.** Dr. Ray Perryman, President and CEO, has 40 years of experience in developing systems, analyzing complex problems, and communicating effectively. We have considerable pride in what we do. Our enthusiasm is both unbridled and contagious; every day brings a new opportunity for us to tackle a different problem or create a product or service specifically tailored to our clients.

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Dr. Perryman addresses dozens of audiences throughout the world every year, catering to a wide variety of events.

### M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.

He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, patent infringement and other intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.



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