

Payday Lenders- **“How Do You Guys Sleep At Night?”**

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Several years ago, a documentary was made titled, The Secret History of Credit Cards. In that excellent production, Professor Elizabeth Warren, one of my personal heroes, referred to the credit card companies as the modern day loan sharks. I cheered in agreement.

At that time I had never heard of payday loans. I will never forget my first encounter. A gentleman came in to see me about his financial situation. He showed me three contracts for loans he took out for school expenses for his daughter. The interest rates were 450%, 460% and 520% APR. I thought they were misprints but I soon found otherwise. In addition, to add to my shock, he had to give signed checks to the lender to cover repayment.

My first thought was to tell him to stop payment on the checks. My second thought was that I better make sure he would not be subject to a hot check charge. My third thought was that Tony Soprano would love to get into this payday loan business.

I spoke with a friend of mine in the district attorney's office to make sure my client would not get in trouble if he stopped payment. I remember so well the A. D. A.'s response when I showed him the contracts and pointed out the interest rates. He said the interest rates should be criminal.

Well apparently those rates are legal, since it now seems there is a payday lender on every corner. I guess that just goes to show what can be accomplished through loopholes and lobbying and legislation.

Since then we have routinely been able to discharge such loans in bankruptcy.

The *Texas Bar Journal* published an article in March 2008, discussing payday loans. This article does a great job of breaking it all down. [To download a PDF of this article click here.](#)

For more on payday loans you can visit:

<http://www.kltv.com/Global/story.asp?S=10064926>

<http://www.kltv.com/Global/story.asp?S=10046137>