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◆ WSJ NEWS EXCLUSIVE | FINANCIAL REGULATION

How Payday Lenders Target Consumers Hurt by Coronavirus

Loan outfits bypass ad bans by Google and Facebook, get around state restrictions on high-interest financing



Izzeta Ferguson got into financial trouble last year when she needed money for a car repair and took out an 11-month loan with an annual percentage rate of 298%.

PHOTO: CAMERON POLLACK FOR THE WALL STREET JOURNAL

By [Coulter Jones](#), [Jean Eaglesham](#) and [AnnaMaria Andriotis](#)

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Lenders that target struggling borrowers for loans with triple-digit interest rates have overcome yearslong efforts to restrict their lending and are pitching their products to consumers in need of cash during the coronavirus pandemic.

They sidestepped state crackdowns by joining with out-of-state banks to offer loans and now are bypassing ad bans put in place by Google, GOOG -0.72% ▼ which calls their offerings “dangerous financial products,” and Facebook Inc., FB -1.39% ▼ a Wall Street Journal investigation found.

The investigation, involving hundreds of online searches, shows that the lenders are marketing loans that typically carry annual percentage rates of around 200% to 500% to consumers looking online for financial help amid the biggest wave of job losses in U.S. history. Google and Facebook removed several ads and said they blocked the companies’ websites from advertising again after they were contacted by the Journal.

On Facebook, Florida-based Check Cashing USA in April advertised that customers could cash stimulus checks and “receive your money in minutes”—for a 1.75% fee—and pitched consumers with payday loans at rates of as much as 521%. Facebook removed the company’s ads after being contacted by the Journal for comment.

Brian Socolow, chief operating officer at Check Cashing USA, said the company started advertising on Facebook a few months ago and that it made up a small portion of its advertising budget.

“We don’t allow predatory lending services to advertise on Facebook and have removed the violating ads and pages,” the company wrote in an email. In some cases the ads themselves didn’t offer payday loans, but linked to websites or Facebook pages that directed customers to payday loans.

YOUR MONEY BRIEFING



Banned "Payday" Loan Ads Still Turning Up Online



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Many banks have been tightening underwriting standards in recent weeks, making it harder for consumers with low credit scores to get credit cards and other types of financing.

Lending Shifts Online

Under the Trump administration, the federal Consumer Financial Protection Bureau has taken fewer enforcement actions against payday and high-cost installment lenders than it did during the Obama years, according to the Pew Charitable Trusts, a nonprofit organization.

The CFPB has said it intends to drop a proposed lending requirement that would have been one of the first federal rules to protect borrowers using payday and other high-interest loans. A CFPB spokeswoman said in a statement that borrowers already had “robust” legal protection. The regulator “will take action to enforce applicable federal law against bad actors,” the statement added.

DEBT CYCLE

High interest rates or fees with certain loans can make it impossible for borrowers to pay them off. Here are two types:

Payday Loans

• **What are they?** Loans typically up to \$500. They are pitched as short-term cash advances, usually until your next paycheck. But borrowers are often unable to pay the loan in full right away, and the loans are often rolled over—racking up an additional fee each time.

• **Cost:** Very high. A typical fee for a two-week payday loan is \$15 per \$100 borrowed, equivalent to an annual percentage rate of almost 400%, according to the Consumer Financial Protection Bureau.

• **Protections:** Vary by state. Some bar such loans, some cap the amount of interest or fees that can be charged.

High-interest Installment Loans

• **What are they?** Loans that typically have fixed monthly payments and set payback periods, usually several months.

• **Cost:** The annual rates range from the mid-double digits to 300% or more depending on the lender. Total cost of borrowing may be higher than a payday loan if the borrower has the loan for a longer time.

• **Protections:** Vary by state: some put caps on interest rates.

The lenders came under fire in many states because their high-cost loans left borrowers in a debt cycle, said Alex Horowitz, a senior research officer at Pew. States such as California and Colorado cracked down, but the lenders bypassed their restrictions by joining with banks from states where there are no interest-rate limits to make the loans, the Journal has previously reported.

High-interest lending grew in recent years despite a strong economy and low unemployment. Some of it has shifted from storefront payday lenders to online installment loans.

Traditional in-store payday lending was down about 11% in 2018 from the prior year, but payday loans originated online were up about 4% in 2018 to \$14.2 billion and accounted for nearly half of payday-loan originations, according to the latest data from John Hecht, an industry analyst at Jefferies.

Nonbank installment loan originations to subprime borrowers totaled \$19.2 billion in the first half 2019, up 22% from the year-earlier period and up about 157% from first half 2014, according to Experian PLC.

Loans Almost Impossible to Pay Off

Izetta Ferguson, 55 years old, of Charleston, S.C., said she needed \$1,500 to pay for an unexpected car repair last year. Ms. Ferguson, a caregiver for a local organization that provides services to the disabled, said she did a Google search along the lines of “help with my loan even though my credit isn’t good.”

That led her to Credit Sesame, a California-based company with millions of customers that offers free credit scores and loan-comparison services. It earns revenue if borrowers click on its links, then sign up for a loan. Ads for Credit Sesame appeared in the results of online searches done by the Journal of the type that a desperate borrower might do.

Ms. Ferguson said she clicked on one of the first lenders recommended, Rise Credit. Texas-based Rise, which appeared in the Journal’s searches, agreed to lend Ms. Ferguson \$1,500. The annual percentage rate was 298%, and the cost of the 11-month loan was \$2,990.54, nearly twice the amount borrowed, according to the loan agreement.



Ms. Ferguson's 2007 Chevrolet HHR.

PHOTO: CAMERON POLLACK FOR THE WALL STREET JOURNAL

After three months, Ms. Ferguson had paid Rise Credit more than \$1,100. When she checked online, her loan balance was \$1,457—just \$43 lower—according to a complaint she made to the Better Business Bureau. She said she was shocked to discover how much she was being charged.

“I feel taken advantage of—they know that if you’re in a bind and see a way of getting out, you leap at the chance,” Ms. Ferguson said. “Lord have mercy on anyone contemplating using this company.”

A spokeswoman for Credit Sesame said in a statement the company didn’t “bid on any keywords related to emergency, payday, or installment loans, and we do not advertise... high-cost loans to the public.” The company added that high-cost loans “make up a very small fraction of our business.” The spokeswoman said Credit Sesame didn’t currently offer links to Rise loans.

Elevate Credit Inc., which owns the Rise Credit brand, wrote in its response to Ms. Ferguson’s online complaint that “we disclose on our website that Rise is an expensive form of credit,” adding that the cost of the loan is shown “in great detail in the loan agreement.” An Elevate spokesman declined to comment further.

Ad Bans Not Working

Google, Facebook and other big technology companies began banning advertisements for payday loans about five years ago amid pressure from regulators and consumer advocates. The restrictions vary by tech company but generally apply to loans with

repayment periods that are shorter than 60 or 90 days. Google also bans ads for loans with annual percentage rates that are 36% and above.

The measures aren't always working, according to a Journal review of hundreds of online searches and dozens of advertisements. Some payday lenders sold loans that exceed the APR limits set by Google and appear to be violating the ad bans. Others advertise other services that then lead borrowers to payday loans. The policy specifically pertains to ads and says that the landing page someone is brought to by the ad must show the length of the loan and the APR. That includes lead generators that aren't directly selling loans, but matching customers.

The Journal found ads from nearly two dozen websites for lenders, payday lead generators or other companies advertising or linking to products that violated policy. It couldn't be determined how long the ads ran or how many users may have viewed them.

On Google, a search for "laid off desperate for cash need loan" led to an ad from easypaydaymax.com, a website that matches borrowers with lenders offering payday loans. "Get your loan now!" the site says, touting loans of as much as \$1,000 with no credit check required. "It is very unfortunate that sometimes bad credit stops people from getting the help they need," the website says. Easypaydaymax didn't respond to requests for comment.

Tech companies have been unable to stop high-interest lenders from advertising

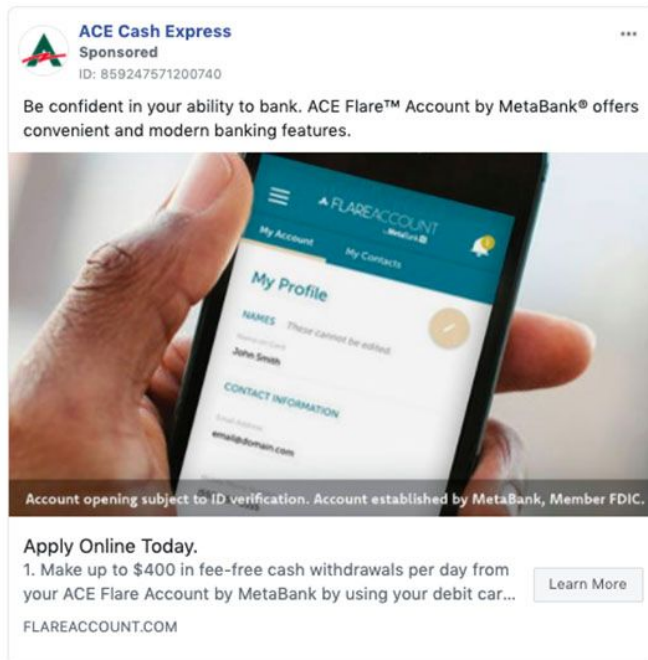
No sense of humor

King of Kash posted cartoons and jokes on Facebook that never mention financial products. But the company's Facebook page links to its website which sells high cost installment loans. Facebook pulled the ads after the Journal asked for comment.



Surprise offer

Ace Cash Express promoted banking services and installment loans, which are allowed by Facebook. An ad that ran earlier in the year linked to the company's website where California consumers were told: 'ACE no longer offers installment loans. Apply for a payday loan up to \$255.'



Matchmaker

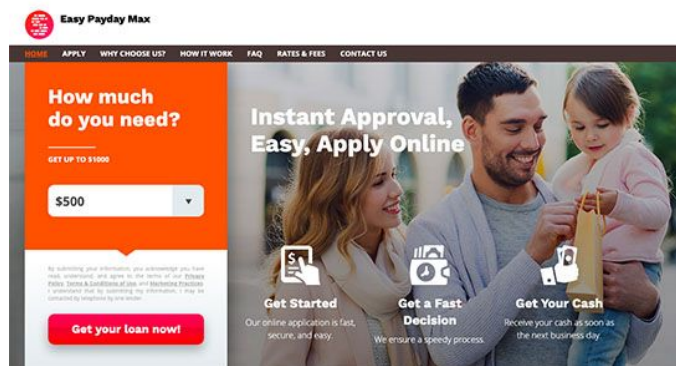
This ad for easypaydaymax.com came up in a Google search for 'laid off desperate for cash need loan.' The company matches borrowers with lenders offering payday loans and warns consumers that it is 'not informed of the terms of the loan offered to you.'

Ad · www.easypaydaymax.com/

\$100 - \$1000 cash loan online. | How much do you need cash?

Bad Credit OK, Our online application is fast, secure and easy, Apply Online Now. Speedy Process. Secure Application. Steps: Get Started, Get A Fast Decision, Get Your Cash.

[Apply Online](#) · [View Benefits](#) · [Contact Us](#) · [Fee Details](#) · [Procedural Information](#)



Not so free

Check Cashing USA pitched 'free services' to health-care workers during coronavirus crisis. Those included payday loans, and Facebook pulled the ads.

Check Cashing USA
Sponsored
ID: 208900333544321

Our salute and deepest gratitude to all front-line workers who are tirelessly working to provide essential services as the world fights against the coronavirus disease.

All health care workers and first responders can make financial transactions (at any Check Cashing USA branch) such as check cashing, payday loans, and money orders FREE of charge. ...

FREE SERVICES
To all healthcare workers and first responders.



Free services for all front-line employees
Thank you for keeping us safe and healthy.
CHECKCASHINGUSA.COM

Get Directions

“We have strict ad policies that prohibit payday loans,” a Google spokesman said in a statement. “Our systems are trained to uncover these dangerous financial products and we have a dedicated team working to protect users from malicious actors who try to evade detection.” The company said it removed nearly 9.6 million financial-service ads with misleading information in 2019—about double the number from the prior year.

Google’s restrictions for high-interest lenders are limited to ads, meaning payday lenders often appear prominently in search results or highlighted on maps and related search boxes. The Journal tested the company’s search-engine controls by creating searches that a desperate borrower might do. The searches, done in December through April, turned up ads linking to payday and installment-loans with annual rates up to 1825%—way above the 35.99% cap imposed by the search engine.

Payday lenders that often came up in the searches included LendUp, a fintech firm that is part-owned by GV, the venture-capital investment arm of Google parent company Alphabet Inc.

A LendUp spokesman said the company stopped advertising earlier this year after the onset of Covid-19 (the disease caused by the new coronavirus) and didn't run paid ads on Facebook or Google. Most of its borrowers didn't come through online searches and rather were repeat customers, the spokesman said. There is no indication LendUp was given preferential treatment in the search results.

"Find money if coronavirus left you unemployed," reads a pitch that appears in search results from Compacom.com, a Glendale, Calif.-based company that earns money from referrals to lenders. Its website, citing news reports, counseled laid-off workers "don't give up to despair." It then provided links to websites called LendYou and GoGo Payday Loans that each in turn linked to payday lenders.

Compacom said in a written statement it's "not trying to take advantage of desperate borrowers...on the contrary we do our best to help applicants to find better lenders and get better deals."

A database of current Facebook advertisers reviewed by the Journal showed several high-cost lenders using the social-media site to market to borrowers. The advertisers pitch loans with repayment periods longer than 90 days—bypassing Facebook's ban on ads for short-term loans—but interest rates are still in the triple digits.

Ace Cash Express is principally a payday-loan provider, but its Facebook ads earlier this year sought customers for longer-term loans. Ace's site had a message telling California borrowers that "ACE no longer offers installment loans. Apply for a payday loan up to \$255."

A representative of Populus Financial Group Inc., which does business as Ace Cash Express, didn't respond to requests for comment.

SHARE YOUR THOUGHTS

Should payday lenders be banned from advertising online? Why, or why not? Join the conversation below.

High-cost lenders also buy data on Facebook users who have been identified as people in financial distress from third-party companies that compile the information without Facebook's involvement. Chicago-based Exact Data sells marketing lists titled "People Struggling With Bills" and "Get Me Out of Debt!" that purport to offer millions of

Facebook addresses for struggling consumers. The price is as little as \$249 for more than 10 million names.

The Facebook information can be used for “prospecting effectively by laser targeting [the] audience,” said Larry Organ, founder and chief executive of Exact Data.

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