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annual interest rates.

**Isaac M. O'Bannon** • Apr. 08, 2024



A new report shows that consumers who take out small loans using cash advance apps may pay triple-digit annual interest rates, experience high levels of repeat reborrowing, and incur more bank overdraft fees after starting to use the products.

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obscuring the cost of these loans are cause for great concern. The finding that consumers in the study incurred more overdraft fees after using an advance product challenges the industry's claim that advances help people avoid overdraft fees.”

Constantine continued, “This research joins a growing body of evidence showing cash advance apps harm consumers in ways similar to payday loans. It is alarming that some policymakers are ignoring the evidence, taking legal protections away from consumers, and exposing them to harms from advance apps.”

CRL's report is based on both a quantitative analysis of transactional data and a qualitative diary study. Key findings include:

- Overdrafts on consumers' checking accounts increased 56% on average after use of an advance product.
- Consumers are taking out advances repeatedly, and using multiple lenders is common. Three quarters (75%) of borrowers took out at least one advance on the same day or day after making repayment.
- Consumers taking out small amounts of cash paid a high price. The average Annual Percentage Rate for an advance repaid in 7 to 14 days was 367%, nearly as much as the APR on a typical payday loan (400%).
- Many low- to moderate-income consumers are already struggling to meet their expenses and repaying advances makes it harder to catch up or save.

CRL received anonymized financial transactions data from a panel of low- to moderate-income consumers affiliated with [SaverLife](#), a nonprofit dedicated to using technology to improve financial health.

CRL matched over 37,000 advances to nearly 2,000 unique users across five leading direct-to-consumer lenders: Brigit, Cleo, Dave, EarnIn, and FloatMe. Separately, on behalf of CRL, BSP Research implemented a diary study of 18 cash advance users.

All participants use the products regularly, with some using several apps multiple

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