

# Payday And Pawn Lenders Enjoyed Profits As The Pandemic Ravaged The Economy—And Now They’re Targeting Struggling Consumers

**SUMMARY:** The devastating economic fallout from COVID-19 has resulted in massive job loss across the US – but also has netted greater profits for payday and pawn lenders. Installment lending company World Acceptance Corporation and “pawn leader” FirstCash serve as examples.

World Acceptance Corporation, an installment lending company with “deceptively expensive” loans that “often trap borrowers in a cycle of debt,” has seen its stock price and profits soar. And First Cash, a “leading pawn leader,” has reported strong cash flow, added 67 new locations, and is handing out millions in shareholder dividends.

And now, as the devastating effects of the pandemic can be seen via the loss of 20 million jobs and 100,000 small businesses, payday lenders are making moves to target struggling consumers, who have moved online to seek help.

## World Acceptance Corporation—Which Has Been Investigated For “Breaking Federal Laws” With Its Loan Practices—Posted Over \$23 Million In Profits, An “Earnings Surprise” Of Over 25% As It Ramps Up Its Online Lending During The Pandemic.

### Installment Lender World Acceptance Corporation Earned Well Over \$23 Million In The First Three Months Of 2020, Reporting An “Earnings Surprise Of 26.49%.”

World Acceptance Corporation, An Installment Lending Company, Had A Net Income Of \$23,679,953 For The Three Months Ended March 31, 2020. [[World Acceptance Corporation Form 10-K](#), Securities and Exchange Commission, 05/29/20]

- **World Acceptance Corporation Offers Small Installment Loans In Sixteen States.** “World Acceptance Corporation, a South Carolina corporation, operates a small-loan consumer finance (installment loan) business in sixteen states as of March 31, 2020.” [[World Acceptance Corporation Form 10-K](#), Securities and Exchange Commission, 05/29/20]

**On May 5, 2020, World Acceptance Corporation “Beat Estimates” When It Had “An Earnings Surprise Of 26.49%.”** “World Acceptance (WRLD) came out with quarterly earnings of \$5.11 per share, beating the Zacks Consensus Estimate of \$4.04 per share. This compares to earnings of \$4.22 per share a year ago. These figures are adjusted for non-recurring items. This quarterly report represents an earnings surprise of 26.49%. A quarter ago, it was expected that this subprime consumer lender would post earnings of \$0.48 per share when it actually produced earnings of \$0.29, delivering a surprise of -39.58%.” [[“World Acceptance \(WRLD\) Q4 Earnings Beat Estimates,”](#) Zacks Investment Research, 05/07/20]

### June 4, 2020: World Acceptance Corporations Stock Price “Soars 3.3%”

**HEADLINE:** “World Acceptance Corporation (WRLD) Soars 3.3% On June 04.” [[“World Acceptance Corporation \(WRLD\) Soars 3.3% on June 04,”](#) Equities News, 06/04/20]

**World Acceptance Corporation's Stock Price "Jumped 3.3%"** "World Acceptance Corporation (WRLD) had a good day on the market for Thursday June 04 as shares jumped 3.3% to close at \$71.69. About 77,269 shares traded hands on 1,502 trades for the day, compared with an average daily volume of n/a shares out of a total float of 7.51 million." [["World Acceptance Corporation \(WRLD\) Soars 3.3% on June 04,"](#) Equities News, 06/04/20]

### **In A May 7, 2020, World Acceptance Corporation's President And CEO Told Investors The Company Saw "Dramatic Increases" In Online Activity And Had "Expedited Projects" To Increase Online Lending.**

**In World Acceptance Corporation's May 7, 2020 Earnings Call, Its President And CEO Said "We've Seen Dramatic Increases In Online And Phone Activity " And Said The Company "Expedited Projects Related To Its Digital Presence And Online Lending."** "Chad Prashad -- President and Chief Executive Officer [...] Rapid increases in unemployment and the subsequent federal stimulus packages have both altered the underwriting landscape. As a result, we've seen dramatic increases in online and phone activity related to account access, payments and refinances. We've also expedited projects related to our digital presence and online lending and are currently piloting online applications with decisions, remote signatures and remote funding for select customers. To help our customers impacted by COVID-19, we've waived late fees, removed the normal 30-day wait period for unemployment insurance claims and offered a payment deferral for those impacted customers." [["World Acceptance \(WRLD\) Q4 2020 Earnings Call Transcript,"](#) *The Motley Fool*, 05/07/20]

### **World Acceptance Corporation Has Been Investigated By The Consumer Financial Protection Bureau (CFPB) For Potentially "Breaking Federal Laws" With Its Loan Practices.**

**In March 2014, The CFPB Began An Investigation Into World Acceptance Corporation For Potentially "Breaking Federal Laws In How It Markets And Offers Its Loans."** In March 2014, World Acceptance Corp. disclosed "it is the target of an investigation by the federal Consumer Financial Protection Bureau." The CFPB "is investigating whether the company is breaking federal laws in how it markets and offers its loans. The CFPB has made a Civil Investigative Demand that requires World to produce documents and answer a list of questions, the company said in a Securities and Exchange Commission filing." [Paul Kiel, "[High-Cost Lender World Finance Target of Federal Probe](#)," *ProPublica*, 03/13/14]

### **One Investigation Found That World Acceptance Corporation's "Loans Are Deceptively Expensive And Often Trap Borrowers In A Cycle Of Debt."**

**In 2013, ProPublica Did An Investigation On World Acceptance Corp. That "Showed How The Company's Loans Are Deceptively Expensive And Often Trap Borrowers In A Cycle Of Debt."** In 2013, ProPublica did an investigation on World Acceptance Corp. that "showed how the company's loans are deceptively expensive and often trap borrowers in a cycle of debt. World's business hinges on convincing low-income borrowers to renew their loans over and over again, a practice that can radically increase the amount of interest they pay. The company also packages nearly useless insurance products with its loans in many states, allowing it to skirt state interest rate caps[.]" [Paul Kiel, "[High-Cost Lender World Finance Target of Federal Probe](#)," *ProPublica*, 03/13/14]

**FirstCash—A "Leading" Pawn Lender—Reported Its Cash Flows "Remain Very Strong," Planned On Handing Out Millions In Shareholder Dividends, And Added 67 Locations In The First Three Months Of 2020.**

## **April 22, 2020: FirstCash Inc., A “Leading” Pawnshop Operator, Has Reported That Its Cash Flows “Remain Very Strong And Are Running Well Ahead Of The Prior Year.”**

**On April 22, 2020, FirstCash Inc.’s First Quarter Press Release Announced The Company’s “Operating And Free Cash Flows Remain Very Strong And Are Running Well Ahead Of The Prior Year.”** “FirstCash, Inc. (the “Company”) (Nasdaq: FCFS), the leading international operator of over 2,700 retail pawn stores in the U.S. and Latin America, today provided a COVID-19 update and announced operating results for the three month period ended March 31, 2020. [...] FirstCash’s balance sheet and liquidity remain strong. As of April 21, we have over \$80 million of cash on hand and \$200 million of available borrowing capacity under our unsecured lines of credit. Additional working capital also includes over \$500 million in fully collateralized, short-term pawn loans and highly liquid, fast-turning inventories. Year-to-date operating and free cash flows remain very strong and are running well ahead of the prior year.” [[Press Release](#), FirstCash, 04/22/20]

**FirstCash Inc. Had \$32,918 In Net Income In The Three Months Ending On March 31, 2020.** [[Press Release](#), FirstCash, 04/22/20]

**Firstcash “Leading International Operator Of Pawn Stores” That Offers “Small Consumer Pawn Loans.”** FirstCash is the leading international operator of pawn stores with more than 2,500 retail pawn and consumer lending locations in 24 U.S. states and the District of Columbia and in Latin America, which includes all the states in Mexico and the countries of Guatemala, El Salvador and Colombia. The Company employs approximately 19,000 people between the U.S. and Latin America. FirstCash focuses on serving cash and credit constrained consumers primarily through its retail pawn locations, which buy and sell a wide variety of jewelry, consumer electronics, tools, household appliances, sporting goods, musical instruments and other merchandise, and make small consumer pawn loans secured by pledged personal property.” [[“FirstCash, Inc.”](#), FirstCash, Inc., accessed 06/05/20]

## **FirstCash Reported That Its Retail Sales “Were Especially Strong,” With Gross Retail Profits Increasing 11%.**

**FirstCash Reported That Its Retail Sales In The U.S. “Were Especially Strong, Increasing 5% In Total.”** “U.S. retail sales were especially strong in the latter part of the first quarter, increasing 5% in total and 4% on a same-store basis compared to the prior-year quarter.” [[Press Release](#), FirstCash, 04/22/20]

**FirstCash Reported Its Gross Profits From Retail “Increased 11% For The Quarter.”** “Retail sales margins increased to 39% for the first quarter of 2020 compared to 37% in the prior-year period. Coupled with the increase in top-line retail sales, total gross profit from retail operations increased 11% for the quarter.” [[Press Release](#), FirstCash, 04/22/20]

## **FirstCash Reported That Its Pawn Fees “Were Consistent” With The First Quarter Of 2019.**

**FirstCash Reported That Its Pawn Fees “Were Consistent With The Prior-Year Quarter.”** “Total and same-store pawn fees in the first quarter were consistent with the prior-year quarter, as a 460 basis point increase in the average effective annualized pawn yield was offset by slightly lower pawn receivable balances.” [[Press Release](#), FirstCash, 04/22/20]

## **April 22, 2020: FirstCash Planned On Continuing To Pay Shareholder Dividends After A Payout Of Over \$11 Million In The First Three Months Of 2020.**

**FirstCash Was Planning To Continue Paying Shareholder Dividends As Of April 22, 2020.** “While we are temporarily suspending our share buyback program, we currently intend to continue paying our quarterly dividend.” [[Press Release](#), FirstCash, 04/22/20]

**FirstCash Paid \$11,268,000 In Dividends In The Three Months Ending On March 31, 2020.** [[FirstCash, Inc. Form 10-K](#), Securities and Exchange Commission, 04/27/20]

## **FirstCash Added 67 Locations Internationally In The First Quarter Of 2020.**

**HEADLINE: “FirstCash Reports First Quarter Revenues and Earnings; Adds 67 Locations with Acquisition & New Store Openings; Provides COVID-19 Update”** [[“FirstCash Reports First Quarter Revenues and Earnings; Adds 67 Locations with Acquisition & New Store Openings; Provides COVID-19 Update,”](#) *Barron’s*, 04/22/20]

**FirstCash Opened 31 New Locations In Latin America In The First Quarter Of 2020.** “A total of 31 de novo locations were opened during the first quarter, all in Latin America. The new store openings included 26 locations in Mexico, four in Colombia and one in Guatemala.” [[Press Release](#), FirstCash, 04/22/20]

**FirstCash Acquired A 36-Store Pawnshop Chain In Mexico During The First Quarter Of 2020.** “The Company acquired a 36-store independent chain of small-format pawnshops located in central Mexico during the first quarter of 2020. The purchase price for the all-cash transaction was approximately \$165 million Mexican pesos, which translated into approximately \$7 million U.S. dollars as of March 31, 2020, the date the transaction closed.” [[Press Release](#), FirstCash, 04/22/20]

## **Predatory Payday Lenders Have Begun Targeting Struggling Consumers As The Coronavirus Pandemic Ravages Jobs And Small Businesses.**

### **Payday Lenders Have Begun Targeting “Consumers Looking Online For Financial Help Amid The Biggest Wave Of Job Losses In U.S. History.”**

**During The Coronavirus Pandemic, Predatory Lenders That “Target Struggling Borrowers” Have Begun Marketing Loans To “Consumers Looking Online For Financial Help Amid The Biggest Wave Of Job Losses In U.S. History.”** “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, which calls their offerings “dangerous financial products,” and Facebook Inc., 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.” [Coulter Jones, Jean Eaglesham, and AnnaMaria Andriotis, [“How Payday Lenders Target Consumers Hurt by Coronavirus,”](#) *The Wall Street Journal*, 06/03/20]

### **20.7 Million Jobs Were Lost In April 2020 And More Than 100,000 Small Businesses Vanished By Mid-May 2020.**

**April 2020: The US Lost 20.7 Million Jobs.** “The US economy added 2.5 million jobs in May, after 20.7 million positions vanished in April.” [Betsy Klein, [“Trump declares victory as US unemployment drops to 13.3%,”](#) *CNN*, 06/05/20]

**As Of May 12, 2020, Economists Projected That “More Than 100,000 Small Businesses Have Shut Permanently Since The Pandemic Escalated In March.”** “But already, economists project that more than 100,000 small businesses have shut permanently since the pandemic escalated in March, according to a study by researchers at the University of Illinois, Harvard Business School, Harvard University and the University of Chicago. Their latest data suggests at least 2 percent of small businesses are gone, according to a survey conducted May 9 to 11.” [Heather Long, [“Small business used to define America’s economy. The pandemic could change that forever.”](#) *The Washington Post*, 05/12/20]