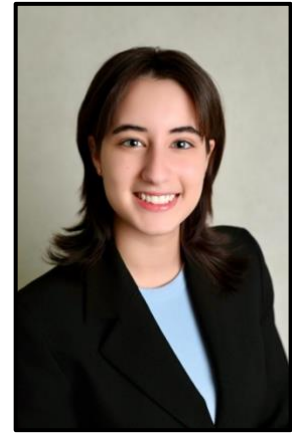


Larissa Ramirez

Medicine, Health, and Society

larissa.m.ramirez@vanderbilt.edu



The Hidden Costs of Quick Cash: Assessing the Mental Health Impact of Payday Loans

Introduction: Payday lending has received attention due to its potential as a mechanism to address financial distress among vulnerable populations. Payday loans are small, high-fee loans with short repayment periods, resulting in exorbitant annual percentage rates. This review aims to examine the link between payday lending and mental health outcomes, focusing on the psychological stress and adverse health effects that borrowers may experience. By synthesizing existing literature, the review seeks to understand how payday lending practices can contribute to mental health issues such as anxiety, depression, and stress.

Methods: Searches were conducted across PubMed, ProQuest, and JSTOR. The search terms used were “payday loans AND mental health,” “payday loans and mental health,” and “payday lending AND mental health OR mental illness OR stress.” 15 articles were included and reviewed from these searches.

Results: The literature highlights key themes, including the disproportionate impact of payday lending on low-income individuals, single mothers, people of color, and those with lower literacy levels. Fourteen articles link payday lending to increased stress, anxiety, and depression due to the financial strain and debt cycle that payday loans perpetuate. Reviewed studies also indicate that counties with payday loan stores often have worse health outcomes, including higher rates of premature death and cardiovascular disease. Nine articles explore how consumer protection regulations, like mandatory disclosures, aim to address the lack of information that prevents consumers from making optimal choices. However, the effectiveness of these disclosures remains unclear.

Conclusions: This review suggests that payday loans have negative and compounding impacts on the mental health of borrowers. Future research should focus on understanding how consumer protection measures can alleviate the mental health stressors linked with payday loans by exploring the effectiveness of mandatory disclosures and other regulatory tools in reducing the financial stressors that contribute to anxiety, depression, and psychological distress.