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PAYDAY LENDING
IN AMERICA:
REPORT 2

How Borrowers Choose and Repay Payday Loans

February 2013

This is the second report in a series, *Payday Lending in America*, that presents original research findings from Pew's safe small-dollar loans research project on how to create a safe and transparent marketplace for those who borrow small sums of money.

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FEBRUARY 2013

The Pew Charitable Trusts is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public, and stimulate civic life.

The safe small-dollar loans research project focuses on small-dollar credit products such as payday and automobile title loans, as well as emerging alternatives. The project works to find safe and transparent solutions to meet consumers' immediate financial needs.

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Introduction

Twelve million Americans take out payday loans each year when they are in difficult financial situations. As they weigh choices for addressing a cash shortfall, payday borrowers consider both formal credit and informal options, including cutting back on expenses, borrowing from family or friends, delaying bills, or selling or pawning items, as described in Pew's first payday lending report.¹ Borrowers mostly describe themselves as trying to keep up with their expenses, often by using noncredit alternatives rather than explicitly comparing credit options. They are very familiar with debt and are not eager to take on more.

In deciding whether to borrow from a payday lender, more than 3 in 4 borrowers rely on lenders to provide accurate information about the product, and lenders describe loans as “safe,”² “a sensible financial choice,”³ and “the best alternative to meet their current needs”⁴ for a “one-time fixed fee.”⁵ The product's stated two-week duration appeals to the borrower's desire for a quick cash infusion as well as the conflicting desire not to be in ongoing debt. In reality, both desires cannot be met. But a payday loan's

unrealistically short repayment period suggests otherwise by enabling people in difficult situations to think that the loan can solve their problem at an affordable fixed cost so they can avoid asking for help, cutting back further, or creating another ongoing bill.

The ultimate cost and duration of the loans are highly unpredictable and bear little resemblance to their two-week packaging. Average borrowers end up indebted for five months, paying \$520 in finance charges for loans averaging \$375,⁶ largely because they see their only choices as making a lump-sum repayment retiring their entire debt, which they cannot afford, or paying fees to continuously pay back and re-borrow the loan, which they can afford but which does not reduce what they owe. Once they have borrowed, neither choice is viable, leaving them indebted far beyond their next payday. This experience leaves borrowers torn—grateful to have received respectful customer service and credit when they sought it, but feeling taken advantage of by the loan's cost and frustrated by the difficulty of repayment.

INTRODUCTION

This report, “How Borrowers Choose and Repay Payday Loans,” the second in Pew’s *Payday Lending in America* series, answers several important questions: If payday loans are unaffordable, why do people choose them? How can they eventually pay them back at all? And what are the consequences of using a loan that is so difficult to repay?

This report looks at individuals’ decision processes to see why they borrow instead of cutting back expenses or choosing other options, and how they fare using the loans. The results indicate that the choice to use a payday loan often leaves borrowers needing to use these other alternatives to ultimately pay off the loan. Many payday borrowers find themselves overdrafting their checking accounts, indebted for the long term, or borrowing from family and friends anyway to repay their loan—options that were available to them instead of a payday loan in the first place.

The findings will demonstrate to policymakers and other readers the significant failures in the small-dollar loan marketplace, where millions of cash-strapped individuals are using payday loans that they cannot afford to repay in full by the nominal due date. Yet the

loans continue to be marketed as a fixed-price, short-term solution. The Consumer Financial Protection Bureau has the authority to regulate payday lending at the federal level, along with prudential bank regulators such as the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. As these regulators are aware, some banks are also participating in the small-dollar lending market through their deposit advance loan products. At the state level, policymakers have several options. Some have chosen to eliminate payday lending stores, and these policies have been effective at reducing payday loan usage without driving an increase in online or other forms of payday lending. In other states, policymakers have sought to mitigate the potential harm of high-interest credit by capping rates below the industry average, limiting usage, or requiring that borrowers be allowed more than two weeks to repay the loan. But in a majority of states, none of these protections are in place.

Key Findings of this Report

1 Fifty-eight percent of payday loan borrowers have trouble meeting monthly expenses at least half the time. These borrowers are dealing with persistent cash shortfalls rather than temporary emergencies.

2 Only 14 percent of borrowers can afford enough out of their monthly budgets to repay an average payday loan. The average borrower can afford to pay \$50 per two weeks to a payday lender—similar to the fee for renewing a typical payday or bank deposit advance loan—but only 14 percent can afford the more than \$400 needed to pay off the full amount of these non-amortizing loans. These data help explain why most borrowers renew or re-borrow rather than repay their loans in full, and why administrative data show that 76 percent of loans are renewals or quick re-borrows while loan loss rates are only 3 percent.

3 The choice to use payday loans is largely driven by unrealistic expectations and by desperation. Borrowers perceive the loans to be a reasonable short-term choice but express

surprise and frustration at how long it takes to pay them back. Seventy-eight percent of borrowers rely on lenders for accurate information, but the stated price tag for an average \$375, two-week loan bears little resemblance to the actual cost of more than \$500 over the five months of debt that the average user experiences. Desperation also influences the choice of 37 percent of borrowers who say they have been in such a difficult financial situation that they would take a payday loan on any terms offered.

4 Payday loans do not eliminate overdraft risk, and for 27 percent of borrowers, they directly cause checking account overdrafts. More than half of payday loan borrowers have overdrafted in the past year. In addition, more than a quarter report that overdrafts occurred as a result of a payday lender making a withdrawal from their account. Although payday loans are often presented as an alternative to overdrafts, most payday borrowers end up paying fees for both.

5 Forty-one percent of borrowers have needed a cash infusion to pay off a payday loan. Many of these borrowers ultimately turn to the same options they could have used instead of payday loans to finally pay off the loans, including getting help from friends or family, selling or pawning personal possessions, or taking out another type of loan. One in six has used a tax refund to eliminate payday loan debt.

6 A majority of borrowers say payday loans take advantage of them, and a majority also say they provide relief. The appreciation for urgently needed cash and friendly service conflicts with borrowers' feelings of dismay about high costs and frustration with lengthy indebtedness.

7 By almost a 3-to-1 margin, borrowers favor more regulation of payday loans. In addition, two out of three borrowers say there should be changes to how payday loans work. Despite these concerns, a majority would use the loans again. In a state where payday storefronts recently stopped operating, former borrowers are relieved that payday loans are gone and have not sought them elsewhere.

Summary of Report 1— Who Borrows, Where They Borrow, and Why (2012)

Although payday loans are characterized as a short-term solution for unexpected expenses, most borrowers use them for everyday bills. The average borrower is in debt for five months during the year, spending \$520 on interest.

1 Who Uses Payday Loans? Twelve million American adults use payday loans annually. Pew's survey found that most payday loan borrowers are white, most are female, and most are 25 to 44 years old. However, after controlling for other characteristics, there are five groups that have higher odds of having used a payday loan: home renters, those earning below \$40,000 annually, those without a four-year college degree, those who are separated or divorced, and African Americans.

2 Why Do Borrowers Use Payday Loans? Sixty-nine percent of first-time payday borrowers used the loan to cover a recurring expense, such as utilities, credit card bills, rent or mortgage payments, or food, while 16 percent dealt with an unexpected expense, such as a car repair or emergency medical expense.

3 What Would Borrowers Do Without Payday Loans? If faced with a cash shortfall and payday loans were unavailable, 81 percent of borrowers say they would cut back on expenses such as food and clothing. Majorities also would delay paying bills, borrow from family or friends, or sell or pawn possessions.

4 Does Payday Lending Regulation Affect Usage? In states that enact strong legal protections, the result is a large net decrease in payday loan usage (overall usage is 2.9 percent in the most stringently regulated states, compared with 6.6 percent in states with the least regulation). Borrowers are not driven to seek payday loans online or from other sources as a result of state regulation. In states with no stores, just 5 out of every 100 would-be borrowers choose to obtain payday loans online or from alternative sources, while 95 choose not to use them.

Report 1 findings were based largely on 33,576 interviews from an omnibus survey, 451 follow-up interviews with storefront payday loan borrowers, and state regulatory and industry data. For more information and a copy of Report 1, see www.pewtrusts.org/small-loans.

1 Payday Borrowers Routinely Struggle to Meet Expenses

“I’m like everybody else, living paycheck to paycheck, still not having enough to come through at the end.”

—Online borrower, Manchester, NH

Most payday borrowers are dealing with persistent cash shortfalls. The Pew survey found that 58 percent of payday loan borrowers have trouble meeting their regular bills at least half the time, including more than one-third who say they have trouble meeting their bills most of the time. Just 1 in 7 never have trouble meeting their regular monthly bills and expenses.

These findings reinforce those of Pew’s first paper in the *Payday Lending in America* series: Although payday loans are frequently described as intended for unexpected expenses, keeping up with regular bills is the primary reason that borrowers use payday loans.⁷ That study found that 69 percent of storefront borrowers reported using their first payday loan to meet a recurring expense, and just 16 percent said it was for an unexpected expense. Pew’s survey data specifically covering online borrowers show similar results, at 73 percent and 16 percent, respectively.

“For instance, like today is what, sixth, seventh? The rent is due on the first. I didn’t pay it. I will in the next few days, but it seems like I’m always struggling to catch up in order to stay afloat.”

—Online borrower, New York

“It seems like you never catch up, and it, it’s just check-to-check, and something breaks down, and the house needs work, kids have school, just never catch up.” [And how long have you felt that way?] “Twenty years.”

—Storefront borrower, Chicago

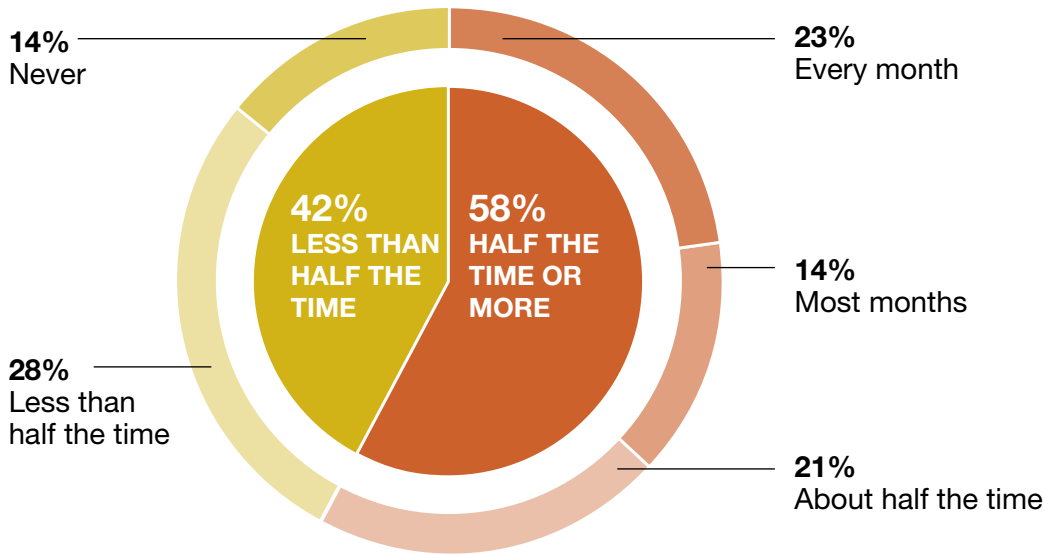
Borrowers Split on How They Rate Their Own Economic Situation

Half of payday borrowers describe their economic situation as “good,” and half describe it as “bad,” based largely on how often they can keep up with their bills. In focus groups, very few borrowers

EXHIBIT 1:

MAJORITY OF PAYDAY BORROWERS HAVE TROUBLE MEETING BILLS AT LEAST HALF THE TIME

FREQUENCY OF TROUBLE MEETING BILLS:



NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: "How often, if ever, do you have trouble meeting your regular monthly bills and expenses?" Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

described themselves as having savings or a financial cushion, and many felt that in their current economic situation, it was not possible to “catch up” or save for the future.

Among employed payday loan borrowers, 20 percent have multiple jobs, and in focus groups, several borrowers explained that a second job was critical to allow

them to meet basic expenses. Others with one job were dependent on the income of another household member and said the loss of a second household income would leave them unable to pay regular bills. Previous research has found that 25 percent of small-dollar loan borrowers reported a loss of income, such as a job loss or reduction in hours, as a reason for a shortage of funds.⁸

"I work a couple jobs, and I have my teenagers that I put through Catholic high schools and colleges. ... And then the bills just keep coming, too, just constant bills."

—Storefront borrower, Chicago

"I don't want to look anybody in the eye and admit that I can't even break even."

—Online borrower, Manchester, NH

"My husband has been unemployed for the last two years, and it's been a struggle to make it. I hope that he gets a job any day so we don't have to be quite so tight on the budget. And my son is leaving to go into the Air Force."

—Storefront borrower, Birmingham, AL

"[I have a] full-time job at the sheriff's office [where] I'm taking a 20 percent pay cut, but I have a security job on the side."

—Storefront borrower, Birmingham, AL

"I've had a part-time job like for the last four years after my divorce, [but] the finances aren't like they were. ... I got a second job."

—Storefront borrower, Birmingham, AL

"[The] only light bulbs in my house are in the kitchen, the bathroom, and ... none in the bedroom. No bill in there is going to be over \$100, no bill at all."

—Storefront borrower, Chicago

WHAT IS A BANK DEPOSIT ADVANCE LOAN?

A deposit advance loan is a payday loan for up to \$500 that some banks offer to customers who have direct deposit. The structure mimics a conventional payday loan, with the entire loan plus interest due on the borrower's next payday. The cost—\$7.50 to \$10 per \$100 per pay period, resulting in annual percentage rates (APRs) of 196 to 261 percent for a 14-day loan—is somewhat lower than that of a typical storefront loan (\$10 to \$20 per \$100 per pay period, or 261 to 521 percent APR). The loans are secured by the customer's next direct deposit, and the bank repays itself immediately when that deposit is received. Depending on the bank,

the loans may be advertised in branches, by direct mail, through email, at ATMs, or on a bank's website.

Previous research indicates that although bank deposit advances are advertised as two-week products, average customers end up indebted for nearly half the year, similar to the experience of payday loan customers borrowing from storefronts.ⁱ In Pew's focus groups, bank deposit advance borrowers explained that, once the bank has withdrawn the full amount plus interest, they frequently cannot meet their expenses and, like storefront and online payday borrowers, must re-borrow the loan amount.

EXHIBIT 2:

BANK DEPOSIT ADVANCE LOANS MIMIC PAYDAY LOAN MODEL

	CONVENTIONAL PAYDAY LOAN	BANK DEPOSIT ADVANCE LOAN
Advertised term	One pay period with lump-sum repayment (about two weeks)	One pay period with lump-sum repayment (about two weeks)
Amount loaned	Usually up to \$500	Usually up to \$500
Most common advertised price	\$15 per \$100 per pay period	\$10 per \$100 per pay period
Annualized interest rate on a 2-week loan (APR)	391 percent	261 percent
Security provided to lender	Post-dated check or electronic debit authorization for borrower's account at third-party institution	Electronic debit authorization for borrower's account held by the lender
Requirements to borrow	Income stream, checking account	Income stream, checking account with direct deposit at this bank
Borrower experience	Average borrower indebted 5 months during year; ¾ of loans are quick re-borrows	Available evidence shows similar patterns as conventional payday loans

SOURCES: "Payday Lending in America: Who Borrows, Where They Borrow, and Why," The Pew Charitable Trusts. (2012); "Big Bank Payday Loans." Center for Responsible Lending. (2011); Consumer Financial Protection Bureau. "Examination Procedures: Short-Term, Small-Dollar Lending." January 19, 2012. Available at: <http://files.consumerfinance.gov/f/2012/01/Short-Term-Small-Dollar-Lending-Examination-Manual.pdf>; Fed. Reg. 76. 33409-33413. Guidance on Deposit-Related Consumer Credit Products. Notice by the Comptroller of the Currency. June 8, 2011; Bank-specific cost information comes from the websites of banks offering deposit advance loans. Pew's safe small-dollar loans research project, 2013.

i Center for Responsible Lending. "Big Bank Payday Loans." (2011). Available at: <http://www.responsiblelending.org/payday-lending/research-analysis/big-bank-payday-loans.pdf>

2 Renewing Payday Loans Is Affordable, but Paying Them Off Is Not

“If you can’t pay that money back when you ... agreed to, they let you just pay the interest, and then it gets easier and easier for you to renew that loan, because you’re saying, well, I need to do this with this money, and I can pay this \$17.50 or \$35 and go ahead on.”

—Storefront borrower, Birmingham, AL

The vast majority of payday loan users are repeat borrowers who pay fees to renew or re-borrow the loans, accounting for nearly all of lender profitability.⁹ Available data demonstrate the depth of this problem:

- The average payday borrower is indebted for five months during the year.¹⁰
- Four in five borrowers use three or more loans per year and account for 97 percent of all loans.¹¹
- One in five borrowers use payday loans only once or twice per year, accounting for just 3 percent of all loans.¹² Notably, these borrowers are not profitable for lenders and are not the focus of the payday loan business model.¹³

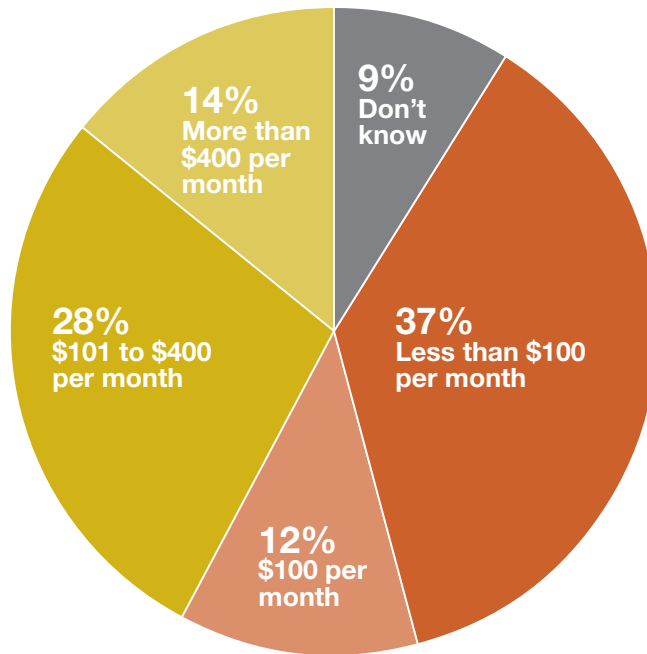
- More than 60 percent of all loans go to people using 12 or more loans per year.¹⁴
- Seventy-six percent of loans are renewals or quick re-borrows.¹⁵

Lump-Sum Repayments Far Exceed Borrowers’ Means

Pew’s survey asked how much borrowers can afford to pay toward their payday loan debt and still afford their regular bills and expenses. As shown in Exhibit 3, the average borrower reported being able to pay \$100 per month, or about \$50 per two weeks. However, the typical borrower owes \$430 (\$375 plus a fee of \$55) in two weeks for a storefront loan.¹⁶ Only 14 percent of borrowers can afford enough out of their monthly budgets to pay off an

EXHIBIT 3:

AVERAGE PAYDAY BORROWER CAN AFFORD \$100 PER MONTH



NOTE: Data represent percentage of payday borrowers who gave an answer that fell in this range. Respondents were asked: "How much can you afford to pay each MONTH toward (an online payday loan/a payday loan) and still be able to pay your other bills and expenses?" All responses were volunteered and not read aloud as options to select. Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

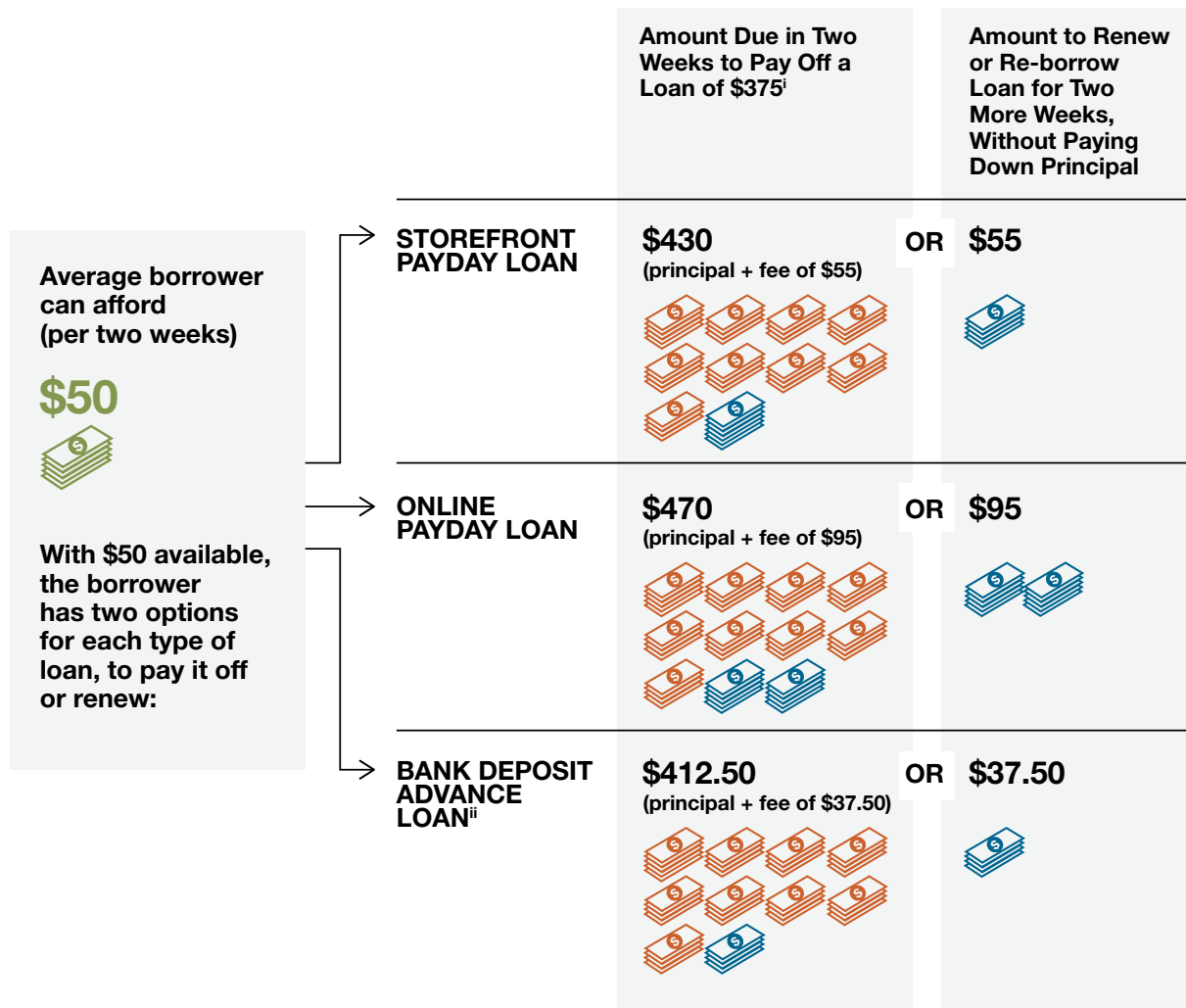
average payday loan. As Exhibit 4 shows, the average borrower can barely afford just the \$55 fee required to renew an average storefront loan for another two weeks.

Even among those who describe their financial situation as very or fairly good, only 15 percent can afford to pay more than \$400 toward their payday loan debt

in a month. Borrowers explained in focus groups that this incompatibility between the loans' required payment and their ability to pay caused them to renew or re-borrow the loans for months before they could pay them off. This finding about unaffordability helps explain why the average borrower ends up indebted for five months of the year.¹⁷

EXHIBIT 4:

RENEWALS ARE AFFORDABLE, REPAYMENT IS NOT



NOTE: Respondents were asked: "How much can you afford to pay each MONTH toward (an online payday loan/a payday loan) and still be able to pay your other bills and expenses?" Results are based on 703 interviews conducted from December 2011 through April 2012.

ⁱ The average cost of storefront and online payday loans is discussed in Pew's first report in this series and comes from Stephens Inc. (2011).

ⁱⁱ "Big Bank Payday Loans." Center for Responsible Lending. (2011). Bank-specific cost information can also be found at <https://www.usbank.com/checking/caa/index.html>, <https://www.wellsfargo.com/checking/direct-deposit-advance/>, http://www.regions.com/personal_banking/ready_advance.rf, <https://www.53.com/doc/pe/pe-eax-faq.pdf>, [http://www.guarantybanking.com/SiteContent/5871/final%20ea%20service%20agreement%20\(gb\)%207-31-10.pdf](http://www.guarantybanking.com/SiteContent/5871/final%20ea%20service%20agreement%20(gb)%207-31-10.pdf), and <https://www.bankofoklahoma.com/sites/Bank-Of-Oklahoma/asset/en/theme/default/PDF/Bank%20of%20Oklahoma%20FastLoanSM%20Terms%20and%20Conditions.pdf>.

SOURCE: Pew's safe small-dollar loans research project, 2013.

"It only costs me \$45, but I can't live without that \$255 at the same time. I've got to take out the loan again every paycheck. As much as I would just like to say, 'Here's the \$300, I'm good. I don't want another loan,' I can't. Because if I do, that \$255 that I don't have, what am I going to do? That's anything from like rent, other bills, food, cost of living stuff. It's difficult."

—Storefront borrower, San Francisco

"Paying \$500 now, I mean, that's where the, kind of the vicious circle comes in. Now you almost have to at least get some of it back so you have enough to make it to the end of the month."

—Storefront borrower,
Birmingham, AL

"I mean, to all of a sudden, 'Oh, you owe us \$500. You got to pay now.' That's tough for anybody; you know what I mean? It's hard to come up with \$500."

—Storefront borrower, Chicago

"Well, Friday came, you gave them your pay, what you owed them, which cleared off that loan, but now you have nothing, so you have to re-borrow to survive the week or two weeks."

—Former storefront borrower,
Manchester, NH

Most Borrowers Say Terms Are Clear but Still Struggle to Repay

Although most borrowers cannot afford to repay their payday loans, large numbers state that the terms and conditions were clear. Focus group participants often described the terms as unfair, usually meaning very expensive, but most said they understood what the fee was and when the loan was due, and in that way

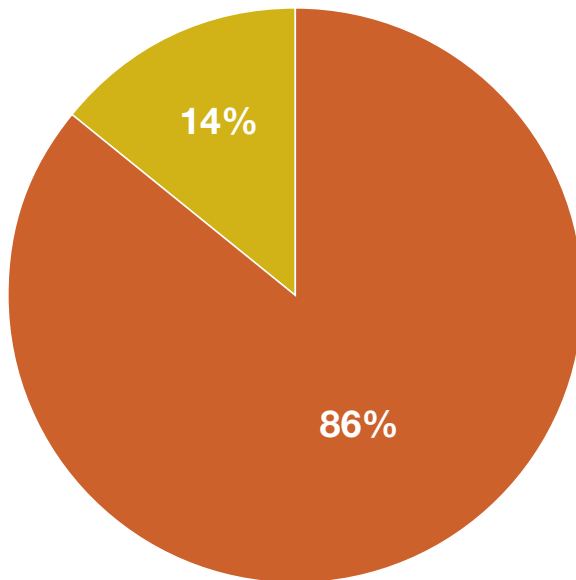
they thought the terms were clear. A significantly higher number of storefront borrowers than online borrowers thought the terms were clear.

The average storefront payday loan requires a \$430 repayment in two weeks. Pew's survey found that even among those who said the loan terms were very clear, just 46 percent of borrowers could afford a repayment of more than \$100 a month, and just 14 percent said they could pay more than \$400 a month.

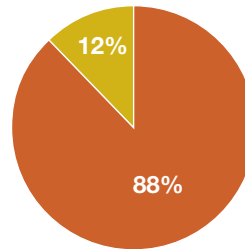
EXHIBIT 5:

SIX IN SEVEN BORROWERS SAY TERMS AND CONDITIONS ARE CLEAR

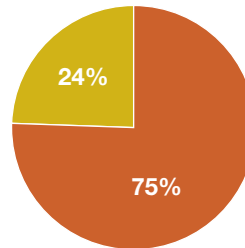
ALL PAYDAY BORROWERS



STOREFRONT



ONLINE



NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: "When you took out (that FIRST/the) (online payday loan/payday loan), would you say the terms and conditions of the loan were very clear, somewhat clear, somewhat confusing, or very confusing?" Data for online do not add to 100% because "Don't know" and "Refused" were omitted from this chart. Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

"It's really basic. If you're taking out \$300 and they're charging you \$90, you pay \$390. If you do not pay it back in two weeks, you're paying \$90 out of your check every two weeks until you pay the full amount."

—Online borrower, New York

"I do agree [with other borrowers that loans take advantage of you], but you know up front what you're getting into."

—Storefront borrower, Birmingham, AL

"You know the interest rate is 17 percent. I mean, so you know before you get it what you're going to have to pay back."

—Storefront borrower, Birmingham, AL

"I think they're honest, but I don't think it's really fair. I mean, it's a really high interest rate."

—Storefront borrower, Chicago

PAYDAY LOAN LOSS RATES

Loss rates at the larger payday lenders are about 3 percent of funds (\$2.98 per \$100 lent), according to industry analyst calculations,ⁱ suggesting that 97 percent of payday loans (including extensions and renewals) are eventually repaid.ⁱⁱ No comparable data are available for deposit advance loans, but given that the loans are secured by the borrower's direct deposit to an account owned by

the lender, it is likely that the loss rate is even lower.

In focus groups, borrowers stated they were eager to pay back loans, both to meet their obligations and to maintain future access to credit. These sentiments are consistent with relatively high rates of repayment and with prior research that found little evidence of strategic default.ⁱⁱⁱ

i Stephens Inc. "Payday Loan Industry." (2011)

ii Using 2011's Annual (10-K) Report from Advance America, the largest storefront lender, as an example, we can calculate an approximate loss rate by dividing the "provision for doubtful accounts" by the "aggregate principal amount of cash advances originated." This calculation of \$107,911,000 divided by \$3,965,225,000 yields an estimated loss rate of 2.72 percent. Borrowers may renew or re-borrow a loan, or experience temporary defaults by bouncing checks and incurring nonsufficient funds fees while still paying back a loan eventually. Advance America has made a similar point, stating, "97 percent of our customers pay us back." http://www.ncsl.org/portals/1/documents/fiscal/Jamie_Fulmer_PowerPoint.pdf

iii Paige Marta Skiba and Jeremy Tobacman. "Payday Loans, Uncertainty, and Discounting: Explaining Patterns of Borrowing, Repayment, and Default." (2008). Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1319751

3 Why People Borrow When They Can Afford Only to Renew, Not to Repay

“You don’t know that it’s going to take you six months when you’re going into it, to pay.”

—Online borrower, New York

Payday borrowers renew or re-borrow loans because they cannot afford to repay them in full. But why do people choose to borrow unaffordable loans in the first place? The answer is not the same for every borrower, but our research reveals several contributing factors.

One clear reason is desperation. More than one-third of borrowers say they have been in such a difficult situation that they would take a payday loan on any terms offered. Another reason is that many borrowers struggle with the temptation of having cash readily available to them, describing payday loans as “too easy” to obtain.

Borrowers also hold unrealistic expectations about payday loans. In focus groups, people described struggling to accommodate two competing desires: to get fast cash and to avoid taking on more debt. They cited the “short-term” aspect of payday loans as a reason for their appeal and described how a payday

loan appeared to be something that could provide needed cash, for a manageable fixed fee, without creating another ongoing obligation. However, this perception does not match reality: Borrowers typically experience prolonged periods of debt,¹⁸ paying more than \$500 in fees over five months.¹⁹

Lenders benefit from this misperception, because they rely on borrowers to use the loans for an extended period of time. Prior research shows that the payday loan business model requires repeat usage in order to be profitable,²⁰ with nearly all loans going to repeat users. (Ninety-seven percent of loans go to people using three or more loans per year, and 60 percent go to those using at least 12 loans per year.²¹) Yet lenders continue to structure their loans as a two-week fixed-fee product. They routinely promote the loans as a short-term solution that should not be used on a long-term basis,²² even though the loans’ unaffordability makes this

long-term use widespread. These efforts help shape the expectations of borrowers, who say they rely on lenders to give them accurate information by a nearly 4-to-1 margin. When asked to reflect on their experiences, borrowers expressed surprise over how long it actually took to pay off the loans, as well as frustration about how difficult that was to predict.

Taken together, these and other findings presented below help explain why people select an unaffordable loan.

Some Borrowers Have Been in Situations Where They Would Accept Any Terms Offered

Thirty-seven percent of payday borrowers have at some point felt that they would take a loan on any terms offered. This figure rises to 46 percent among those who rate their financial situation as fairly or very bad.

EXHIBIT 6:

SIX REASONS WHY PEOPLE USE PAYDAY LOANS THEY CANNOT AFFORD

1

Desperation

More than one-third of borrowers say they have been in such a difficult situation that they would take a payday loan on any terms offered.

2

Perception

Borrowers perceive that payday loans do not create ongoing debt, or are “not another bill,” although the loans do in fact create high-cost, ongoing debt.

3

Reliance

Borrowers rely on lenders for accurate information. Lenders sell payday loans that are packaged as a two-week product, although the borrower ends up indebted for five months on average.

4

Focus on fee

Borrowers focus on being able to afford the finance fee, rather than on how the lump-sum repayment will affect their budget.

5

Trust

Some bank deposit advance borrowers believe that bank payday loans are safer or more regulated than other payday loans.

6

Temptation

Some borrowers consider the loans “too easy” to obtain, because they are readily available, and borrowers have a consistent cash shortfall.

SOURCE: Pew’s safe small-dollar loans research project, 2013.

These borrowers accept an unaffordable loan for the simple reason that it allows them to stay solvent for two more weeks, regardless of cost. Previous research has also found that most customers do not comparison shop for small loans and instead focus on obtaining money quickly, demonstrating that when people are in an urgent situation, speed rather than affordability is paramount.²³

EXHIBIT 7:

37%
of borrowers
would have taken
a payday loan on
any terms offered

NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: "Have you ever felt you were in such a difficult situation that you would take (an online payday loan/a payday loan) on pretty much any terms offered or have you never felt that way?" Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

"If you're that desperate then you almost do any terms."

—Storefront borrower,
Manchester, NH

"You don't think about the cost of funds in an emergency. That's basically it."

—Storefront borrower, San Francisco

"I mean you cannot choose—not as completely as you probably should. ... I am going to have to pay more later when I pay this off but we'll cross that bridge in two weeks. Right now I think it's just that whole immediacy moment."

—Storefront borrower, San Francisco

"Like the first time I did it, and maybe like the second time, getting the loan wasn't really going to help me out too long term, because I was spending more than I was bringing in. So I got into a real hard spot the first time I did it. And then the second time I did it, because I was desperate, where I ended up having to like extend it, because I needed that money to live on, and then extend it again. And I got in sort of over my head, where it's like now I owe all this money, and you're going to take basically my whole check."

—Storefront borrower, Chicago

"It hurts me to be in a situation where I have to go and accept those types of conditions."

—Former storefront borrower,
San Francisco

Borrowers Perceive Payday Loans as ‘Not Another Bill’

To some focus group respondents, a payday loan, as marketed, did not seem as if it would add to their recurring debt, because it was a short-term loan to provide quick cash rather than an additional obligation. They were already in debt and struggling with regular expenses, and a payday loan seemed like a way to get a cash infusion without creating an additional bill. Despite this appeal, the reality is that the average borrower ends up indebted to the payday lender for five months of the year.

It is highly unrealistic for borrowers to think that they will repay the loan on their next payday and not need to re-borrow the money (more people use 17-plus loans per year than use just one). But this optimism is consistent with previous research from the behavioral economics field.²⁴ Previous research has found that people across income levels express unrealistic optimism in assessing their financial prospects in areas such as investment returns, future earnings, or ability to repay loans quickly.²⁵

“I thought, ‘No I don’t want to charge it,’ at the time, because I had enough [other bills] to pay. I was already, you know, my limit was getting kind of there.”

—Online borrower, New York

“I don’t want to prolong it too much, and then it becomes another bill, because that’s essentially what will happen. If I’m paying over six months, it’s just another bill, like I have another extra cable bill or something.”

—Online borrower, New York

“Because when I kept getting those statements and so forth, I made a decision to pay [the credit cards] off, and I’m not going to get another one ... because I don’t want to keep paying all that interest.”

—Storefront borrower,
Birmingham, AL

“By my next paycheck, I should be done.”

—Online borrower, New York,
who has had a loan out for
three months

“And I think, ‘Oh, it’ll just be fine next paycheck, just need to get to the next paycheck.’ And I need, you know, either pay the bill to keep the lights on, or need some food, or whatever it is.”

—Storefront borrower, Chicago

Other research in the field has found that people experience “confirmation bias,” looking for information to confirm their already-held hope or belief.²⁶ A loan from a state-licensed lender or federally chartered bank that is marketed as a two-week product serves to confirm an overly optimistic perspective, signaling to borrowers that it is realistic for them to receive quick cash without creating ongoing debt.

Borrowers Rely Heavily on Payday Lenders, Whose Loans Appear to Last for Just Two Weeks

More than three-quarters of borrowers in Pew’s survey stated that they rely on the payday lender to provide accurate information, but information is provided only about a two-week product, even though borrowers end up indebted for an average of five months. Because the

loans do not amortize, paying just the fee—the salient price that borrowers are instructed to pay if they cannot afford full repayment—does not reduce the amount owed, leaving them no closer to eliminating the debt. Therefore relying on the lender for accurate information makes the ultimate cost and duration of the debt extremely difficult to predict.

Lenders’ advertising heavily promotes the concept of relying on and trusting them. One bank describes itself in a payday loan advertisement as “your trusted source”²⁷ and suggests you “work with a lender you trust.”²⁸ A large storefront payday lender advertises itself as “the name millions trust”²⁹ and promises, “We’re here for you.”³⁰ Other lenders call themselves “a company you can trust”³¹ or “someone you can rely on”³² and explain that they are “here to help you,”³³ encouraging people to “stop by to borrow ... money from your friends.”³⁴

EXHIBIT 8:

MAJORITY COMPLETELY RELY ON PAYDAY LENDERS FOR ACCURATE INFORMATION



NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: “How much do you rely on (online payday lenders/payday lenders) to give you accurate information?” Results are based on 703 interviews conducted from December 2011 through April 2012. Data do not add to 100 percent because “Don’t know” and “Refused” were omitted from this chart.

SOURCE: Pew’s safe small-dollar loans research project, 2013.

The meaning and implications of this reliance are perhaps best illustrated by comparing how borrowers use payday loans in Washington and Colorado. In Washington, a payday loan’s term is for two weeks with a lump-sum repayment, and, as in most states, the majority of payday users re-borrow the loans multiple times.³⁵ But unlike most states, Washington gives borrowers a no-cost option to convert the loan immediately into a far more affordable³⁶ 90- to 180-day loan, payable in installments.³⁷ In 9 of 10 instances, however, borrowers fail to do so, instead accepting the unaffordable default loan structure provided by the lender.³⁸ This striking data point demonstrates that even when a payday loan could become affordable for borrowers through conversion to an installment loan, the default structure provided by the lender is so influential that most borrowers do not alter that structure.

It would be possible to interpret this inaction as a borrower preference for single-repayment loans, were it not for the example of Colorado, where the default loan structure is for a 180-day term, but borrowers can pay back the loans (with no pre-payment penalty) in two weeks or any other amount of time. Only 1 in 7 pay the loans back in full within a month, with the majority instead accepting the default installment loan structure.³⁹ As has been found repeatedly in the behavioral economics literature,⁴⁰ people tend to accept financial products as they are offered, relying on the structure and choices the provider has established as the default. Payday borrowers are no exception, overwhelmingly accepting the default loan structure that the lender provides them and demonstrating a tremendous degree of reliance on the lender, even when they cannot afford the terms the lender is offering.

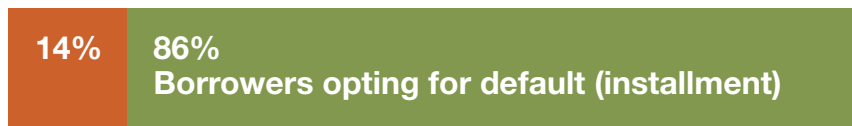
EXHIBIT 9:

BORROWERS RELY HEAVILY ON LENDER, ACCEPTING DEFAULT LOAN STRUCTURE

WASHINGTON



COLORADO



SOURCES: State of Colorado Department of Law; Washington State Department of Financial Institutions; Pew’s safe small-dollar loans research project, 2013.

Previous research also found that borrowers do not know the annual percentage rates (APRs) on payday loans,⁴¹ although they are posted in stores and on websites. Instead, borrowers generally know the fee charged per \$100 borrowed per pay period. Not knowing a loan's APR makes it hard to compare products, leading to further reliance on lenders. Some in focus groups expressed difficulty in comparing the cost of a payday loan with that of other loan products, such as a credit card. Several borrowers mistook the two-week fee on a payday loan for an interest rate and erroneously compared that with the APR of a credit card.⁴² (More information on payday borrowers' use of credit cards is featured on Page 30.)

"I honestly did not think about the fact that once I got paid again ... that it was going to take that money out that I owed them plus with the fee for it. So when that happened I was just like, 'Okay, so now what? I still have to pay [the bills]. ... What do I do?' That's when I had to do it again. I honestly just needed to get that done in that moment and did not think about the consequences too well."

—*Bank deposit advance borrower, San Francisco*

"They just say it in big terms. ... I get real confused when they start talking about the numbers, and I don't read it. I'll be honest, I don't read it. She just said initial here, initial here, initial here, initial here."

—*Storefront borrower, Birmingham, AL*

"Should I pay this whole loan back, or pay the little fee they told me to pay a month? I'm going to pay them a little money."

—*Storefront borrower, Chicago*

"And there's a lot of, there's a lot of nice talk going back and forth, but not a lot of like, you know, understand the steps that are here."

—*Storefront borrower, Chicago*

ALMOST ALL PAYDAY BORROWING IS FOR PERSONAL, NOT BUSINESS, EXPENSES

In developing countries, economists and academics have documented the widespread use of high-cost credit to finance investment in a small business.ⁱ

Domestically, some business and policy leaders have suggested that small businesses are using payday and other high-cost, very short-term loans to finance their operations.ⁱⁱ However, Pew's data show that borrowers almost universally use payday loans to cover personal or family—rather than business—expenses, even among the 6 percent of storefront payday loan borrowers who are self-employed.

i A great deal has been written about the self-employed poor borrowing from money lenders to finance their business operations in developing countries. For example, David Bornstein discusses this practice in "The Price of a Dream: The Story of the Grameen Bank" (2005), and Esther Duflo and Abhijit Banerjee discuss it in "Poor Economics" (2011).

ii The Hispanic Chamber of Commerce argued that small-business owners are using overdraft services and direct deposit advances as credit to finance business operations in a letter from the organization's president, Javier Palomarez, to the Office of the Comptroller of the Currency (OCC) on July 18, 2011. <http://www.regulations.gov/#!documentDetail;D=OCC-2011-0012-0038>. See also Jim Hawkins, "Credit on Wheels: The Law and Business of Auto Title Lending" (2011), which notes that those claiming that significant numbers of title loan borrowers are using the loans for business reasons have included industry leaders, elected officials, and academics.

EXHIBIT 10:

ALMOST ALL PAYDAY BORROWING IS FOR A PERSONAL OR FAMILY EXPENSE



■ Personal or family ■ Business

NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: "And was that primarily a personal or family expense, or was that primarily for a business that you own or operate?" Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

Borrowers Focus on the Fee, Rather Than the Whole Repayment

A number of focus group participants explained that when using payday loans, they concentrated just on the fee, which they could afford, rather than the entire

repayment, which they usually could not afford without having to borrow again to meet their expenses. Some borrowers talked about the loan fee being affordable, but they had not realized that the full loan repayment would then make it impossible to meet their expenses.

"You can afford that little bit [the loan fee]. It doesn't hurt you."

—Former storefront borrower,
San Francisco

"Once my paycheck came, it was like, 'Okay, we're taking this out.' I was like, 'Dang, I should have never done this.' And it was like it took me a while to pay it back. It took me ... six months. ... Because every two weeks it was something, their amount of money, then I had to pay this, and I had to pay bills."

—Online borrower, New York

"It's just playing with the money. I hand it to you, you hand it back. I hand it to you, you hand it back, you know, and it's only the interest. ... Just as long as you pay me \$17 on every \$100, we're good, you know."

—Storefront borrower,
Birmingham, AL

"The first one I paid off in full. That's the thing. I paid it off. I said, 'Here's \$400, whatever it was.' ... But then that month, okay, here's my paycheck, \$400 gone, and now I have this much left, but I have all these bills. All of a sudden, you're already like, 'Hmmm, I got the short end of the straw.'"

—Online borrower, New York

"You need that money from the next paycheck that is coming, but they take it all, and then you're going to have to find another way to get the money from somewhere to cover that amount."

—Former storefront borrower,
San Francisco

"I think [it's safe] because they are through the bank and the bank has FDIC insurance. I don't know. I am just assuming that. I would assume so."

—Bank deposit advance borrower,
San Francisco

"Well they've got usury laws, don't they? I think probably the payday loans aren't subject to usury laws, but the banks, because they're chartered by federals, they've got a lot of pressure on them to stay within the usury laws."

—Bank deposit advance borrower,
San Francisco

"For the banks, on the door it says FDIC, so you know it's governed."

—Bank deposit advance borrower,
San Francisco

"I found out about it because when you do the online banking there is this thing. I hadn't heard about it, and it just says that I can do a direct deposit advance. And I clicked on it, like 'Oh! Really?' And then, well, it's very quick and easy."

—Bank deposit advance borrower,
San Francisco

"Well, I was a little short and was thinking I could use some more money and I was at the ATM actually, and it was there, offering me a direct deposit advance. So, I thought I would try it. They did it for me. They put it right on the ATM where I was at, so I went for it."

—Bank deposit advance borrower,
San Francisco

Some Borrowers Believe Bank Deposit Advances Are Safer or More Regulated

Several borrowers in focus groups believed that bank deposit advance products (see Page 12), which have the same lump-sum repayment structure as payday loans, were safer than other types of payday loans and were more inclined to use them. Some focused on the fact that the loan was offered by the bank where they already

did business, making it both familiar and convenient. Others mistakenly believed that the products were covered by special federal regulatory protections and therefore were relatively safe to use compared with other payday loan options. In reality, nationally chartered banks that offer deposit advance loans may disregard state usury rate limits and other consumer protection laws, and so far there is relatively little federal regulation of payday and deposit advance lending.⁴³

"It could be a little too easy."
—Storefront borrower, Chicago

"It [was] tempting when you were just in that dire need."
—Former storefront borrower, Chicago

"We press click, we press okay, we say submit, and you know, I agree. But I think it's, it makes it too convenient. It's too easy to do it."
—Online borrower, Manchester NH

"It's contradictory, but it's like I wouldn't fall into the trap if I didn't have the option."
—Online borrower, New York

"When I paid them off ... they'd send me stuff in the mail, we'll give you this, we'll give you this, we'll give you this, you know, and they'd call me on the phone. ... I knew what they were up to, you know, because it was so easy to fall right back into that."
—Former storefront borrower, Manchester, NH

"It was that quick fix that was too easy."
—Former storefront borrower, Manchester, NH

Some Borrowers Describe Getting Payday Loans as 'Too Easy'

In focus groups, borrowers appreciated how easy it is to obtain a payday loan, but in many instances, they described it as "too easy" and said they had difficulty

resisting the temptation to borrow. Interestingly, both storefront and online borrowers expressed this sentiment, even though these two groups are different, and they think of storefront and online payday loans as two very different products.

CREDIT CARD USAGE AMONG PAYDAY BORROWERS

Credit cards can be an important source of liquidity for cash-strained households. Although a large portion of payday loan applicants have credit card accounts, many have exhausted their limits.ⁱ Pew's survey found that 2 in 5 payday borrowers used a credit card in the past year, and most had "maxed out" their credit at some point during the same period.

Among payday borrowers who do not have a credit card, nearly half do not want one, and almost as many have been turned down or expect they would be turned down. In focus groups, many borrowers reported having incurred substantial credit card debt in the past and said that is why they intentionally

avoid them. Other borrowers discussed feeling overextended by debt already and said payday loans seemed like a different kind of choice compared with a credit card or longer-term loan, because they expected payday loans to last only a short time.

Still others were confused about the relative costs of credit cards compared with payday loans. For example, one participant mistakenly believed that a credit card's annual percentage rate (APR) of 23.99 would cost more per month than a payday loan (which in his state costs \$17.50 per \$100 borrowed, or 17.5 percent every two weeks), and others did not disagree.

"Because the interest on ... some credit cards [is] 23.99 percent. So if you go charge \$300, and then you don't pay that \$300 off at the end of the month ... they're going to tack that 23.99 percent on to it, so you're going to still be paying more than you would if you had to [get a payday loan]."

—Storefront borrower, Birmingham, AL

"I just never got one because I've seen what it did to my sister."

—Storefront borrower, Chicago

"Well, I got my first credit card when I, I think I was 18, and was probably working like a minimum wage job, and I've not had one since. ... I'm still paying it off."

—Storefront borrower, Chicago

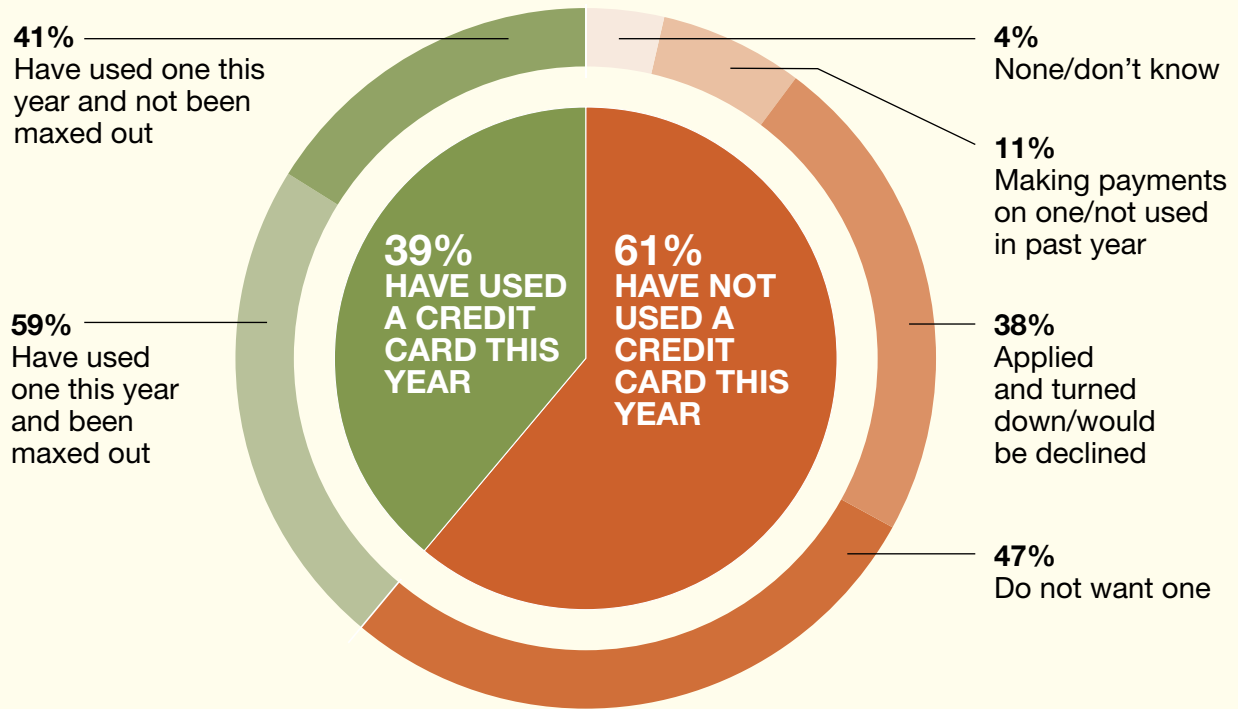
"I've had them, and ... I just can't deal with it, you know. It's a false money. You pay for it later and more than you plan to."

—Storefront borrower, Birmingham, AL

ⁱ Neil Bhutta, Paige Marta Skiba, and Jeremy Tobacman (forthcoming). "Payday Loan Choices and Consequences." This research finds that almost all payday applicants have a credit score, and a majority have credit cards but are mostly maxed out on their credit limits at the time they apply for a payday loan. Available at: <http://assets.wharton.upenn.edu/~tobacman/papers/Payday%20Loan%20Choices%20and%20Consequences%2020121010.pdf>. Overall, approximately 68 percent of all American adults utilize credit cards (2010 Survey of Consumer Finances. Federal Reserve Bulletin. 2012. <http://www.federalreserve.gov/pubs/bulletin/2012/pdf/scf12.pdf>).

EXHIBIT 11:

CREDIT CARD SITUATION OF PAYDAY LOAN BORROWERS



NOTE: Data represent percentage of payday loan borrowers who gave the listed answer. Respondents were asked: "I'm going to read several types of financial products and services. For each one, please tell me whether you have used that product or service in the past year. Have you used a credit card in the past year?" (If "Yes") "In the past year, have you maxed out or been at the top of your credit limit on any of your credit cards?" (If "No") "Have you not used a credit card in the past year because you do not want one, because you think you would not be approved to get one, you are already making payments on one, or did you apply for one and were turned down?" Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

4 Most Payday Borrowers Are Also Overdrafting Their Checking Accounts

“And even if you tell them the money is not there, guess what? They’re going to put that check through and it’s going to bounce two times before they come back and say, ‘well, can you send us another check?’ So now you have two extra fees on your bank account.”

—Storefront borrower, Chicago

Payday loans are sometimes promoted as a cost-effective alternative to checking account overdrafts. (A major storefront and online payday lender encourages borrowers to “use payday loans to stop a bank overdraft or NSF fee,”⁴⁴ and a prominent online payday loan website states, “avoid costly overdraft fees and charges!”⁴⁵) However, more than half of payday loan borrowers report having overdrafted their accounts in the past year,⁴⁶ and 27 percent report that a payday lender making a withdrawal from their bank account caused an overdraft. Moreover, Pew’s prior research has shown that the vast majority of those who overdraw their accounts do so by mistake, not by intention. Although people choose

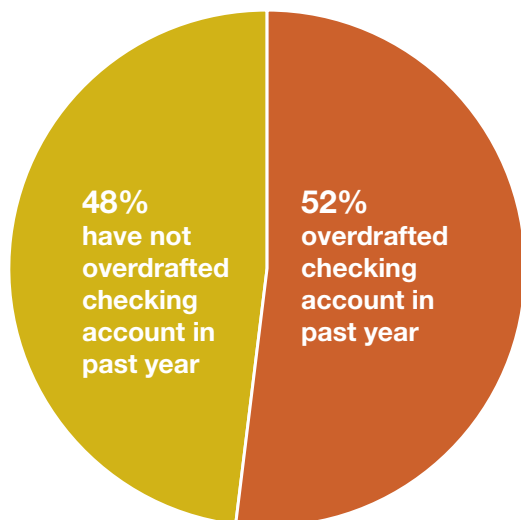
payday loans in order to avoid overdrafts, many end up paying payday loan fees and overdraft fees as well.⁴⁷

Payday Loans Not Eliminating Overdrafts

Although it is unclear how much payday borrowing may reduce or increase the likelihood of checking account overdrafts, Pew’s research shows that payday loans do not eliminate overdraft risk. Prior research has found that some payday loan borrowers are explicitly choosing to use the loans to avoid overdrafts and bounced checks,⁴⁸ but Pew’s survey research demonstrates that borrowers are incurring overdraft fees anyway.

EXHIBIT 12:

MAJORITY OF PAYDAY BORROWERS HAVE OVERDRAFTED IN THE PAST YEAR



NOTE: Data represent percentage of payday loan borrowers who gave the listed answer. Respondents were asked: "I'm going to read several types of financial products and services. For each one, please tell me whether you have used that product or service in the past year. Have you used overdrafting on your checking account in the past year?" Results are based on interviews with the 565 payday borrowers in the survey who still had a checking or savings account at the time they took the survey. Interviews were conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

There is less evidence about overdrafts related to bank deposit advance loans, but those loans' single-repayment structure makes it likely that they will be of limited help to customers trying to avoid overdrafts. Corroborating evidence comes from a large financial services consultant that developed a deposit advance loan program for banks and originally promoted the program as a new source of revenue that would result in little to no "overdraft revenue cannibalization."⁴⁹ Its analysis indicates that deposit advance loans provide little to no value in helping borrowers avoid overdrafts.

Previous research on the relationship between payday loan usage and overdrafts has yielded mixed results. One study looked at county-level data nationwide and found that access to payday loans was associated with increased levels of involuntary bank account closures, generally because of overdrafts.⁵⁰ Another

Twenty-seven percent of borrowers report that a payday lender making a withdrawal from their bank account caused an overdraft.

study found that when payday loans were no longer available in two states, bounced checks increased in one state but not the other.⁵¹ A third study showed similar levels of nonsufficient funds (NSF) and overdraft fees paid per household in states that had payday loan stores and in states that did not.⁵²

In focus groups, borrowers overwhelmingly agreed that they would not use overdrafts as an alternative to payday loans because, as a credit source, they would be too expensive. These sentiments are consistent with a national survey from Pew's Safe Checking in the Electronic Age Project, which found that 90 percent of those who overdrew their accounts did so by mistake rather than by choice.⁵³

PAYDAY LOAN BORROWERS USE PREPAID CARDS AT THREE TIMES THE NATIONAL RATE

Thirty-eight percent of payday loan borrowers report having used a prepaid debit cardⁱ in the past year, triple the rate at which the general population uses these products.ⁱⁱ Prepaid cards are often advertised as a way to avoid checking account overdraft fees and credit card debt, perhaps explaining their appeal to payday loan users, who are eager to avoid both of these.ⁱⁱⁱ Prepaid cards also can function much like a checking account for those who do not have one and can be used to budget and compartmentalize spending. For more on prepaid cards, please visit www.pewtrusts.org/prepaid.

i This data point refers to usage of general purpose reloadable (GPR) prepaid cards.

ii Javelin Strategy & Research found that 13 percent of American adults used a prepaid card in 2011. <http://www.businessweek.com/news/2012-04-11/prepaid-card-use-up-18-percent-as-consumers-drop-debit-study>

iii For example, one of the largest providers of prepaid debit cards, Green Dot, focuses its marketing on the fact that its cards do not have overdraft fees or lead to credit card debt: <https://www.greendot.com/greendot>

Payday Loans Causing Overdrafts

Among storefront borrowers, 23 percent report that a payday lender attempting to make a withdrawal from their account caused an overdraft. Among online borrowers, 46 percent had this experience.⁵⁴ This significant difference was reflected in Pew's focus groups: Online borrowers experienced many more problems as the result of payday lenders accessing their bank accounts.

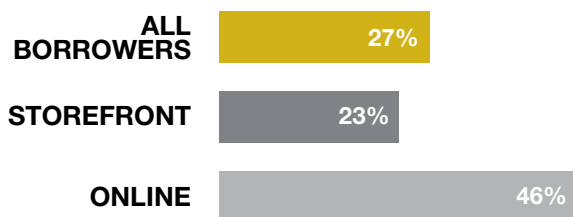
These findings—that 52 percent of payday borrowers also report overdrafting their checking accounts, and that for 27 percent of borrowers, payday loans are actually causing overdrafts—reveal that payday loans frequently fail to help borrowers avoid overdrafts.

“When I was actually out of town, we had a family member that passed away, and then I missed the date to pay it back, and then I was gone longer than I expected, so I missed a payment. And then they, it was two weeks, and they went and they took it out of my account. And then the overdrafts killed me.”

—Storefront borrower, Chicago

EXHIBIT 13:

PAYDAY LOANS CAUSING OVERDRAFTS



NOTE: Data represent percentage of payday borrowers who gave the listed answer. Storefront payday borrowers were asked: "For each one I read, please tell me whether it has happened to you. How about Had a payday lender attempt to make a withdrawal that overdrew your bank account?" Online payday loan borrowers were asked: "For each one I read, please tell me whether it has happened to you. How about Had an online payday lender make a withdrawal that overdrew your bank account?" Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

5 Some Borrowers Use the Same Options to Repay Loans That They Could Have Used Instead of Borrowing

“I finally paid those off, but I would probably still be doing it if it wasn’t for my parents helping out with things.”

—Online borrower, Manchester, NH

Access to credit is an important tool for people dealing with a cash shortfall, but it would be a mistake to think that people are choosing solely among credit options. Pew’s first *Payday Lending in America* report identified a variety of informal or noncredit options that a majority of borrowers said they would employ if payday loans were unavailable: cutting back on expenses, borrowing from family or friends, delaying bills, and pawning or selling items.⁵⁵ As explained below, many ultimately turn to the same options they could have used instead of payday loans as a way to pay off the loans.

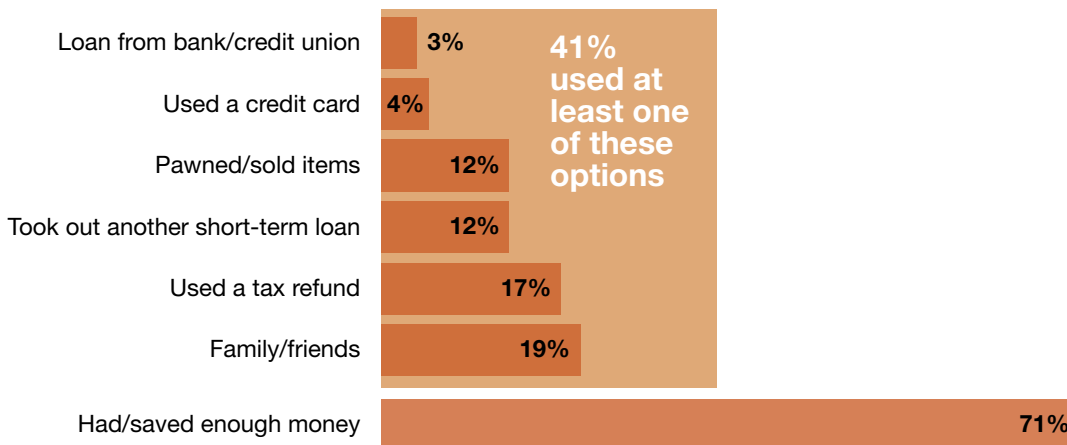
Pew’s survey asked borrowers which methods they have used to pay back a payday loan. Seven in 10 payday borrowers have repaid loans from regular income or savings at least once. Although most borrowers have had or saved enough money to repay a loan at some point,

41 percent have used some other method—asking family or friends for help, waiting for a tax refund, or using another credit product—at least once. Three in 10 borrowers have never been able to repay with income or savings, relying exclusively on one or more alternative strategies.

Some borrowers repaid loans using strategies that they had available to cover their expenses before taking a payday loan in the first place. For example, 19 percent of borrowers received help from family or friends to pay back the loans, and almost all of them report that borrowing from family or friends is an option that would be available to them instead.⁵⁶ Similarly, some focus group participants said they chose a payday loan instead of other options but then turned to those same alternatives later to help them resolve their payday loan debt.

EXHIBIT 14:

TWO IN FIVE PAYDAY BORROWERS REPAY USING HELP, WINDFALL, OTHER LOANS



NOTE: Data represent percentage of payday borrowers who gave the listed answer. Survey participants were asked: "Please tell me whether you have or have not used each of the following methods to pay back (an online payday loan/a payday loan). How about (INSERT)? Have you used this method or not?" Data do not add to 100% because each item was asked separately. Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

Also of note is the use of tax refunds. One in six borrowers have used a tax refund to pay off a payday loan, a finding that is consistent with prior research showing that outstanding payday debt decreases when tax refunds are issued.⁵⁷ The large windfall provided by a tax refund enables borrowers to repay loan

principal that their regular paychecks are not sufficient to cover.⁵⁸ Both storefront and online borrowers have used these alternative methods of repayment, demonstrating that this problem applies to both types of loans, and several bank deposit advance users in Pew's focus groups reported the same experience.

Many borrowers ultimately turn to the same options they could have used instead of payday loans as a way to pay off the loans.

SOME BORROWERS USE THE SAME OPTIONS TO REPAY LOANS

"Sometimes I would have good fortune and pay it off, you know, income tax time or whatever."

—*Storefront borrower, Birmingham, AL*

"I got a credit union loan to pay off all those [online payday loans]."

—*Online borrower, New York*

"I ended up having to call my parents to bail me out."

—*Online borrower, New York*

"I mean, we were taking out payday loans to pay payday loans [and that] doesn't make any sense."

—*Online borrower, Manchester, NH*

"[I paid off the payday loan by] asking some other person for the money, that I know I don't have to worry about this interest, you know, let me pay you back a few dollars at a time."

—*Storefront borrower, Chicago*

"Let me just do it until I get some kind of windfall to stop at the end."

—*Bank deposit advance borrower, San Francisco*

"I only did it because I didn't want to ask for any money, ask to borrow from ... a friend or anything. I kind of wish I did, you know, because I ended up paying more than I actually borrowed."

—*Online borrower, New York*

6 Borrowers Feel Relief, but They Also Feel That Payday Loans Take Advantage of Them

“It can be lifesaving, but, yes, it is a trap that’s hard to get out of.”

—Storefront borrower, Birmingham, AL

Payday borrowers’ experiences—receiving credit to cover expenses but then ending up spending far more than suggested by the loan’s two-week price tag—lead to complicated and conflicted feelings: gratitude that credit is available to them, appreciation for friendly service, dismay with the high cost, and frustration with lengthy indebtedness.

Borrowers See Loans as Taking Advantage of Them

A majority of borrowers say payday loans take advantage of them, and online borrowers and those who describe their financial situation as “bad” feel this most strongly. Sixty-four percent of this latter group said the loans take advantage, compared with 47 percent of borrowers who rated their financial situation as “good.” In focus groups, borrowers who described payday loans as taking advantage focused on the high cost of the loans and the difficulty they have in paying them back.

Similarly, 82 percent of those who found the loan terms and conditions “confusing” think the loans take advantage, compared with 51 percent of those who felt the terms and conditions were “clear.”

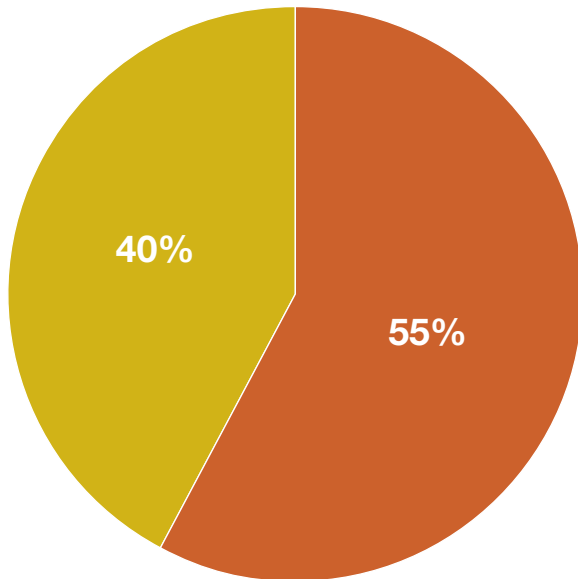
However, 4 in 10 believe that the loans do not take advantage. In focus groups, borrowers who recounted more positive experiences often focused on the friendly relationships they have with individual employees at the payday loan stores they visit. Previous research has also found that storefront payday lenders win high marks for respectful and friendly customer service.⁵⁹

The payday loan industry works hard to create a friendly and respectful atmosphere that customers appreciate. Many describe good relationships with those who work in the stores, even when the product leaves them indebted for an extended period of time.

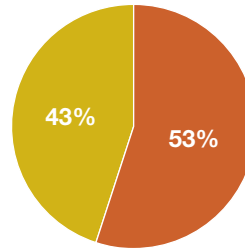
EXHIBIT 15:

MAJORITY FEEL PAYDAY LOANS TAKE ADVANTAGE OF BORROWERS

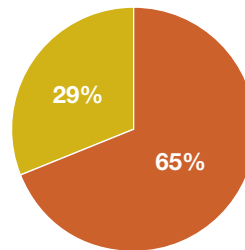
ALL PAYDAY BORROWERS



STOREFRONT



ONLINE



■ Payday loans take advantage
■ Payday loans do not take advantage

NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: "Some people say (online payday loans/payday loans) take advantage of borrowers, while other people do not think (online payday loans/payday loans) take advantage of borrowers or not?" Data do not add to 100% because "Some of both/Neither," "Don't know" and "Refused" were omitted from this chart. Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

"So you feel like when, oh, when you go into a place like that, it's like Norm from 'Cheers.' ... You're back. I mean, they're happy to see you, because you're a regular."

—Storefront borrower,
Birmingham, AL

"They always ... speak to you by first name and say, 'hello, how you doing' when you first come in the store, and are good with remembering your name and your face."

—Storefront borrower, Chicago

"But they're the same as you, the people that work there. ... They're the same as you, they're just, they're struggling, too."

—Storefront borrower, Chicago

"It's like they're gouging people. ... It's like they're just trying to take advantage of them in that situation."

—Storefront borrower,
Birmingham, AL

Lenders tend not to compete on price, often all charging the same amount in a given market,⁶⁰ but they instead compete on customer service, seeking to maintain long-term relationships with borrowers. Payday loan advertisements promote “outstanding customer service,”⁶¹ “fast, friendly service,”⁶² “courteousness,”⁶³ “smiling,”⁶⁴ and “dedication to our customers.”⁶⁵

with slightly more saying that the loans help. In focus groups, most who talked about the loans being helpful spoke of the relief they felt when they were able to get a loan. In contrast, most of those who talked about the loans hurting concentrated on the difficulty of paying off the debt and the length of time it took to get out of a loan that had been advertised as lasting for two weeks.

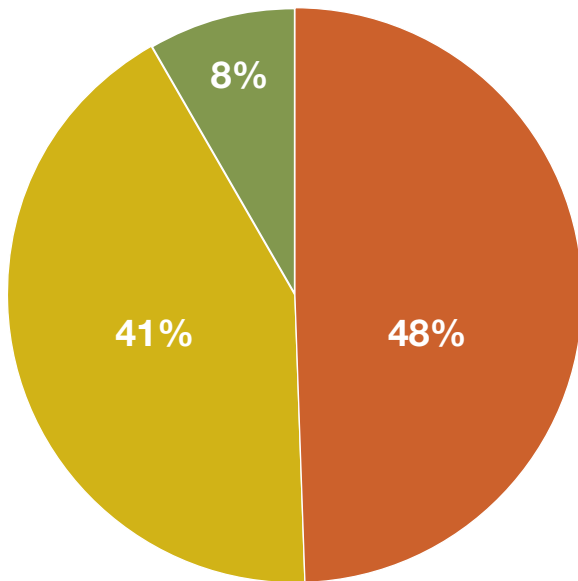
Borrowers Mixed on Whether Loans Help More Than Hurt

Borrowers are torn about whether payday loans mostly help or mostly hurt them,

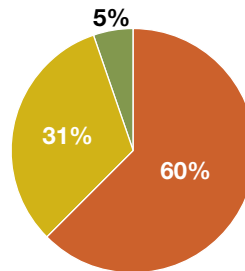
These feelings also correspond to respondents’ attitudes about their own financial situations, with those who have more frequent trouble meeting expenses more likely to say the loans hurt.

EXHIBIT 16:
SLIGHTLY MORE SAY LOANS HELP THAN HURT

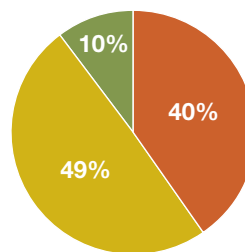
ALL PAYDAY BORROWERS



STOREFRONT



ONLINE



- Payday loans mostly help borrowers
- Payday loans mostly hurt borrowers
- Payday loans both help and hurt

NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: "Overall, do you think that (online payday loans/payday loans) MOSTLY help borrowers like you or MOSTLY hurt borrowers like you?" (IF "BOTH," ASK:) "I know it can be hard to say, but generally do you think they MOSTLY help or MOSTLY hurt borrowers?" "Payday loans both hurt and help" was a volunteered response and not read aloud. Data do not add to 100% because "Don't know" and "Refused" were omitted from this chart. Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew’s safe small-dollar loans research project, 2013.

“So they’re quick and they’ll dish out the money to anybody, but do not rub that lamp the wrong way because you do not want to see that genie, forget it.”

—Online borrower, Manchester, NH

“I just think that loan kind of, it didn’t help. I mean, it helped, but it didn’t in the long run.”

—Online borrower, New York

“It was a short-term fix that I’m continually paying off.”

—Online borrower, Manchester, NH

“I’m no better off than I was when I first applied, I’m actually worse off, because I’m deeper in debt than I was when I first started.”

—Online borrower, Manchester, NH

HOW BORROWERS DESCRIBE PAYDAY LOANS

As a focus group exercise, borrowers were asked for a word or phrase to describe payday loans. They used more negative terms than positive ones, but some focused on the loan being helpful when they were in a tight spot.

Interestingly, most borrowers did not disagree with others who offered opposing terms. This exercise revealed borrowers’ conflicted feelings, including appreciation for credit in a tough time while also feeling trapped by the difficulty of repaying the loan.

Among the descriptions respondents used are:

- Convenient
- Rip off
- Evil
- Never-ending
- Money hungry
- Lifesaver
- Should be abolished
- Takes advantage
- Emergency rescue
- Friendly
- Helpful
- Good in an emergency, but dangerous
- Predatory
- Sweet and Sour: Sweet when they give it to you, sour when you’ve got to pay it back
- Simple
- Desperate
- Helpful but very dangerous
- Tempting
- Expensive
- Panic
- Mistake
- Scary
- Too easy
- Accessible

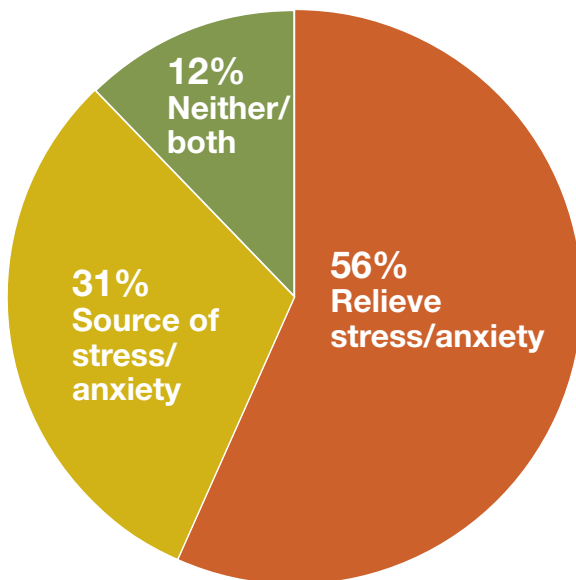
More Say Loans Relieve Stress and Anxiety Than Cause It

More borrowers describe the loans as relieving—rather than causing—stress and anxiety, although online borrowers and those who report having trouble meeting their expenses more than half the time are more closely divided on this issue.

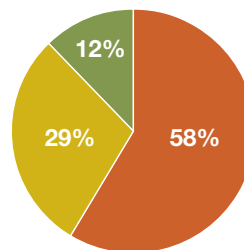
EXHIBIT 17:

MORE SAY LOANS RELIEVE STRESS AND ANXIETY THAN CAUSE IT

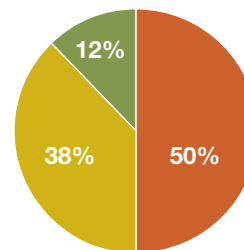
ALL PAYDAY BORROWERS



STOREFRONT



ONLINE



- Payday loans relieve stress/anxiety
- Payday loans are more a source of stress/anxiety
- Neither/both

NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: "(Have/Was) the (online payday loan(s)/payday loan(s) (been) more a SOURCE of stress and anxiety or more something that has RELIEVED stress and anxiety?" "Neither/both" was a volunteered response and not read aloud. Data for storefront and all payday borrowers do not add to 100% because "Don't know" and "Refused" were omitted from this chart. Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

"It's good because it's there when you need it, but it's not good if you don't have the strategy down. You have to pay it back right away, and then if you can pay it back right away, why would you go and get it to begin with?"

—Storefront borrower, Chicago

"All I know is I got the money that I needed to pay the rent that I needed to pay. And so, you know, it's ... a Catch-22."

—Online borrower, New York

"You pay it off, and then you panic because you know you have to go back, and you don't want to because you're going to lose the money, and you try to think of other options first, and if you don't have any, then you're right back in the same boat pretty much, panic, you know."

—Former storefront borrower,
Manchester, NH

"That's where I go if I'm in a panic, the payday loans."

—Online borrower, Manchester, NH

PROFILES OF ‘SATISFIED’ CUSTOMERS

In a questionnaire as part of Pew’s focus groups, the following borrowers all described themselves as “satisfied” with payday loans, as are most payday borrowers, according to industry surveys. To understand more thoroughly the

experiences of these borrowers, and what it means to be satisfied with a payday loan, several quotes from each borrower are included below. Names have been changed to protect their privacy.

CHRISTINE (ALABAMA STOREFRONT BORROWER)

- Satisfaction level: “Very satisfied.”
- Words to describe payday loans: “Emergency rescue.”
- “I met a girl that worked at a payday loan store. Her kids go to school with my kids, and we were at a football game. And I had some medical bills that needed to be paid, and so I asked her about it. I always use her, and we’ve become friends, so, I mean, it’s all pleasant.”
- “I think they are fairly trustworthy. I mean, I think you have to use your own personal judgment about which one you use and the relationship you develop with the people there, because like you say, when you walk in, you deal with the same person every time. So in that aspect, it’s trustworthy, but I also think they take advantage in the high interest rates.”
- “So I went and got one for like \$300. And I carried it for a couple of months ... and then paid it off with the income tax refund.”
- “I don’t use it as a longer term, but, I mean, I’ve kept it for longer than two weeks. I mean, I kept one for two months. I’ve kept one for six months.”

ROBERT (ILLINOIS STOREFRONT BORROWER)

- Satisfaction level: “Very satisfied.”
- Words to describe payday loans: “Expensive, yeah. But convenient.”
- “[It’s] going to be that emergency help you need right now.”
- “You can show them the paycheck, but they don’t know what are you spending on your expenses outside of that money.”
- “They closed my bank account that I had. I wasn’t paying them back in full at the particular time, and I kept trying to delay them, and giving them partial payment, and they just went in, and they took their money. Which caused me to default, and I was behind in a lot of other areas, and I wasn’t able to take care of that particular area.”

PROFILES OF 'SATISFIED' CUSTOMERS

CORI (CALIFORNIA BANK DEPOSIT ADVANCE BORROWER)

- Satisfaction level: "Very satisfied."
- "It was the holidays and I just need some extra cash to get gifts and help out with Christmas dinner and do my part. It just seemed like a good option."
- "But then it started the cycle. Because once you do it once, then it takes that money out of your paycheck, and my paychecks were pretty well budgeted to the dollar, so once they take that money back out to pay off the advance, then I'm short again. So, then I have to do it again to keep up with my regular bills."
- "I got to the point that I couldn't do any more direct deposit advances, and I had to go to the [payday loan] store."
- "I paid back the payday lending store. My sister helped me do that and then she also helped me get caught up. Then once I was able to cash out my PTO (paid time off from work), I was able to pay her back and get myself on track. So I was living back within my biweekly paycheck means."

MATTHEW (NEW YORK ONLINE BORROWER)

- Satisfaction level: "Somewhat satisfied."
- Words to describe loans: "Expensive." "Helpful."
- "I don't want to go to my brother. I don't want to go to my sister, you know. And it's for me. I don't have to go talk to nobody. I just, online, boom."
- "I don't think it's the best way. It's not. But my options are limited."
- "So I wound up probably paying a fortune. ... I think I took like \$300. So they charged me every month, \$30 on each \$100. So you can pay \$90 in three, four months, and you haven't even touched the principal yet. So that's why, again, I'm not going to cry over it because I knew the options and the choices, and they're what I made. But on the other hand, it's a pretty expensive way to get a few extra dollars."

7 Payday Customers Want Changes and More Regulation but Expect to Borrow Again if Loans are Available to Them

“I don’t want to do it again. I don’t want to, but I don’t know, so I can’t say I won’t do it again because I might need to.”

—Online borrower, New York

Borrowers’ feelings about payday loans are somewhat complicated, but a general consensus emerges on three points:

- (1) Borrowers want changes to how payday loans work.
- (2) They want payday loans to be more regulated.
- (3) Even if neither (1) nor (2) occurs, they will continue to use payday loans if they are in an especially difficult situation and the loans are available.

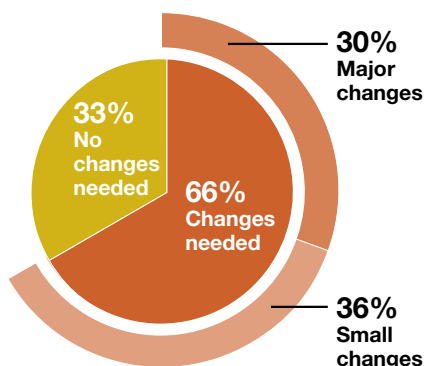
Although these findings provide only general feelings rather than specific solutions, they demonstrate that borrowers are not satisfied with the status quo and invite government oversight as part of the solution.

By a 2-1 Margin, Borrowers Want Changes to Payday Loans

Overall, borrowers are divided into three fairly even groups as to whether there should be major changes, small changes, or no changes to payday loans. Pew is conducting further research on the nature of changes that borrowers want to see.

EXHIBIT 18:

MOST WANT CHANGES TO PAYDAY LOANS



NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: "Which of the following best describes your view? 1. (Online payday loans/Payday loans) should be kept as they are now with no changes 2. There should be small changes to (online payday loans/payday loans) 3. There should be major changes to (online payday loans/payday loans)." Data do not add to 100% because "Don't know" and "Refused" were omitted from this chart. Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

By an Almost 3-1 Margin, Borrowers Want More Regulation

Borrowers hold divergent views on many aspects of payday lending and its impact on them, but there is strong consensus for more regulation of payday loans across key payday borrower groupings, including:

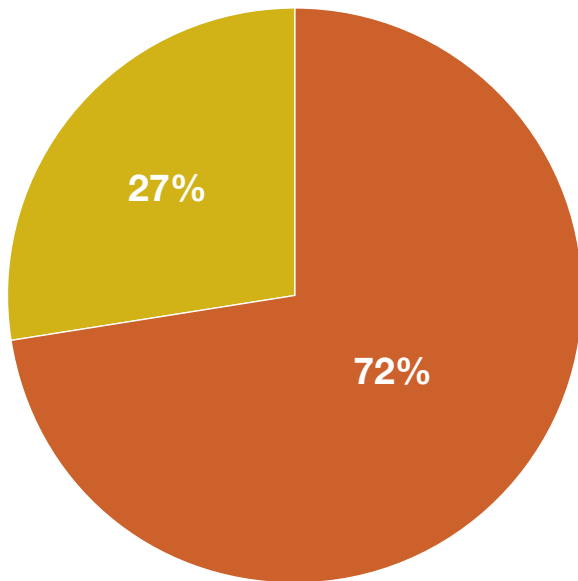
- Those who have trouble meeting their expenses, and those who do not.
- Those who describe their financial situation as good, and those who describe it as bad.
- Those who say the loans mostly help, and those who say they mostly hurt.

Online borrowers are even more adamant than storefront borrowers, preferring greater regulation by a 5-1 margin.

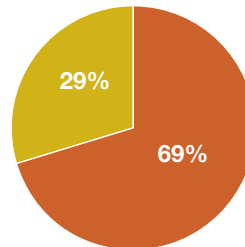
EXHIBIT 19:

BORROWERS FAVOR MORE REGULATION

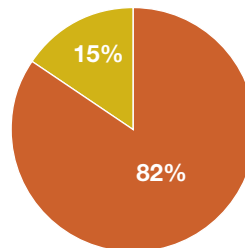
ALL PAYDAY BORROWERS



STOREFRONT



ONLINE



- Loans should be more regulated
- Loans should not be more regulated

NOTE: Data represent percentage of payday borrowers who express the listed opinion. Respondents were asked: "Which of these statements comes closer to your point of view? 1. (Online payday loans/Payday loans) should be more regulated. 2. (Online payday loans/Payday loans) should not be more regulated." Data do not add to 100% because "Don't know" and "Refused" were omitted from this chart. Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew's safe small-dollar loans research project, 2013.

3 in 5 Are Likely to Use Loans Again Regardless

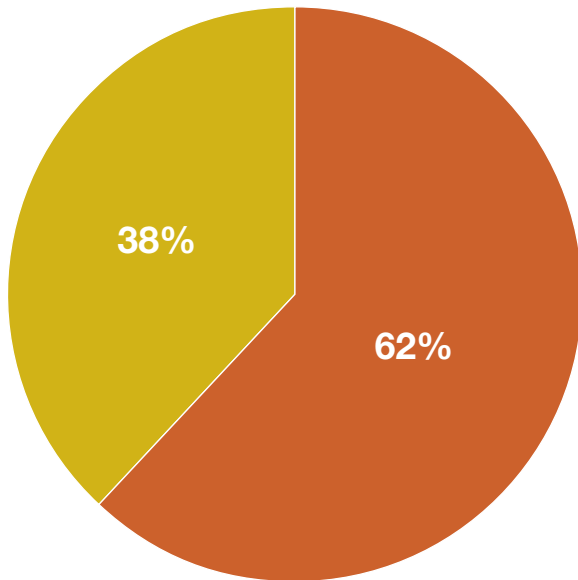
Despite this desire for more regulation and changes to how payday loans work, 3 in 5 borrowers say they are likely to use the loans again if they are in a financial bind. Only one-fifth of borrowers say they are “not at all likely” to take out another loan. In focus groups, even borrowers who were unhappy that their payday loan debt had

lasted much longer than expected thought they might use payday loans again with a better outcome. More storefront than online borrowers said they were likely to take out another payday loan. The tension between borrowers wanting changes and regulation, and the likelihood that they will use the loans again, is consistent with previous research that most borrowers would use the loans again, but few would do so without hesitation.⁶⁶

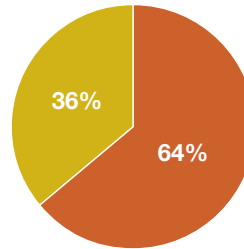
EXHIBIT 20:

MAJORITY SAY THEY LIKELY WOULD TAKE ANOTHER PAYDAY LOAN

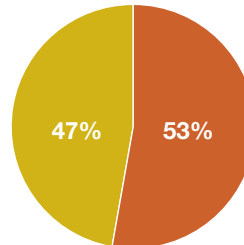
ALL PAYDAY BORROWERS



STOREFRONT



ONLINE



- Very or somewhat likely to take out a payday loan again
- Not very or not at all likely to take out a payday loan again

NOTE: Data represent percentage of payday borrowers who gave the listed answer. Respondents were asked: “If you find yourself in a financial bind again, how likely is it that you would take out (an online payday/a payday) loan?” Results are based on 703 interviews conducted from December 2011 through April 2012.

SOURCE: Pew’s safe small-dollar loans research project, 2013.

"I still would rather go to them than my family, and so I feel like they need me, I need them at some point in time. You never know where you're going with this economy being the way it is. I think that they should redo, you know, their interest rates and their rules and all of that."

—Storefront borrower, Birmingham, AL

"If I had to get a loan out, I would go to one."

—Storefront borrower, Birmingham, AL

"When you need it, you've got to get it."

—Storefront borrower, Birmingham, AL

Some Are Relieved When Payday Stores Are Gone

Pew's research has shown that potential borrowers tend not to use payday loans when storefronts are not available in their communities. In states without payday stores, just 5 percent of would-be borrowers sought loans online or elsewhere, and the remaining 95 percent

elected not to use payday loans at all.⁶⁷ Previous research conducted in North Carolina, where a state law eliminated payday loan stores, similarly found that people had not sought out payday loans elsewhere when the stores closed, and those who had previously borrowed from payday storefronts "were glad they no longer had the temptation."⁶⁸

Participants in Pew's focus group of 10 former storefront borrowers in New Hampshire expressed similar feelings. Although payday stores once operated there, they are no longer available because of a change in state law.⁶⁹ Participants acknowledged that they had used the loans when they were in the state, but they had not gone online to borrow after the storefronts closed. Instead, these former borrowers mostly expressed relief, but some acknowledged they would probably use the stores if they returned to the state.

"I think they need to find other ways to help people out than just make it so easy to do that, because that's why people do it."

—Former storefront borrower,
Manchester, NH

"I'm glad they're gone. I hope they never come back."

—Former storefront borrower,
Manchester, NH

"[Now that payday lenders are gone] you can't get stuck in it."

—Former storefront borrower,
Manchester, NH

"Just keep them out, we don't need them."

—Former storefront borrower,
Manchester, NH

"Because there's too many little things to worry about now, you know. They're out, leave them out, and you know what I mean? Then you don't have to worry about it."

—Former storefront borrower,
Manchester, NH

Conclusion

Understanding why people choose expensive credit products that they will have difficulty paying back, and how they eventually do pay them back, is vital for any effort to improve the utility and transparency of payday loans as well as other small-dollar credit products. One reason people choose payday loans, instead of cutting back on expenses or using informal options, is that they perceive the loans as affordable because lenders sell them as a short-term fix. The information provided describes just two weeks of indebtedness, although most borrowers end up having a loan out for far longer. Borrowers have conflicting desires—they want to receive a cash infusion but do not want to create ongoing debt—and a payday loan's short repayment term makes it seem as if both these desires can be met. The loan's unaffordable lump-sum repayment structure effectively means that borrowers pay only interest, so the principal is not reduced; this structure makes predicting the ultimate duration and cost of the loan extremely difficult.

The loan is packaged as a two-week product that is described as safe and preferable to costly options such as overdrafts. Borrowers tend to focus on the loan's advertised price, a fee they can afford, and not the impact that a lump-sum repayment will have on their monthly budget. The more than \$400 required to repay an average loan is so incompatible with the \$50 that the average payday customer can afford that the customer ends up re-borrowing repeatedly, paying a fee every two weeks to take the same money back out to cover basic expenses.

Proponents of payday lending tend to talk about overdrafts as the primary alternative to a payday loan; borrowers instead mostly describe their alternatives as taking on long-term debt, cutting back on expenses, or borrowing from family or friends. But even within this narrow range of options, it is nearly impossible to comparison shop, because a payday loan's ultimate cost and duration are vastly different from the stated loan terms.

CONCLUSION

The implication of a payday loan's unaffordability for most borrowers is that when people choose a payday loan instead of other options, they often end up turning to those very same options in order to pay back the payday loan. Among those who choose a payday loan, most overdraw their bank accounts anyway. Further, 27 percent of payday borrowers say a withdrawal by a payday lender has caused an overdraft, while others borrow from family or friends to pay off the loans, or use them long term. These findings indicate that many of the potential benefits—avoiding other debt, fees, or cutting back—do not materialize. Payday loans end up leaving borrowers in the same financial bind in which they started, despite having spent \$520 annually on average.

This inconsistency is reflected in the sentiments of payday borrowers, who describe themselves as “satisfied” but are also deeply conflicted. They express relief upon receiving credit during a tough time, appreciation for friendly and respectful service, and say they might use payday loans again if they are in a difficult-enough situation. But they also state that the loans take advantage of them, need changes, and should be more regulated.

Federal regulators, including the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and especially the Consumer Financial Protection Bureau, have the authority to regulate the payday loan market. This ongoing series by The Pew Charitable Trusts, *Payday Lending in America*, presents in-depth findings to help identify the features of a safe and transparent marketplace for consumer financial services, to inform efforts to protect consumers from harmful practices, and to promote safe and transparent small-dollar credit.

Methodology

Opinion Research

Findings in this report are based on a survey conducted among storefront payday loan borrowers and online payday loan borrowers. The sample for this survey was compiled over the course of eight months of screening on a nationally representative weekly survey. Borrower quotations in this report come from a series of 10 focus groups with small-loan borrowers, as described below.

Survey Methodology

Social Science Research Solutions (SSRS) omnibus survey

The Pew Safe Small-Dollar Loans Research Project contracted with SSRS to conduct the first-ever nationally representative in-depth telephone survey with payday loan borrowers about their loan usage. To identify and survey a low-incidence population such as payday loan borrowers, SSRS screened 1,000 to 2,000 adults per week on its regular omnibus survey, using random-digit dialing (RDD) methodology, from August 2011 to April 2012. The term “omnibus” refers to a survey that

includes questions on a variety of topics. This survey took steps to minimize payday loan borrowers’ denial of their usage of this product, because the omnibus survey included mostly nonfinancial questions purchased by other clients, and the payday loan questions were asked after other, less sensitive questions, giving interviewers a chance to establish a rapport with respondents.

The first phase of the research, to identify payday borrowers, asked respondents to the omnibus survey whether they had used a payday loan. If respondents answered that they had, they were placed in a file to be re-contacted later. Once the full-length survey was ready to field, in order to maximize participation, people who had used a payday loan were then given the full-length survey and paid an incentive of \$20 for participating. Because of their relative scarcity, online payday loan borrowers were given an incentive of \$35 for participating.

Respondents were told about the compensation only after having indicated that they had used a payday loan. Further, online payday loan borrowers who were

identified during the early months of screening were sent a letter with a \$5 bill informing them that they would be re-contacted to take the full-length survey. The second phase of the research involved re-contacting all respondents who answered that they had used a payday loan and immediately giving the full-length survey to anyone newly identified in the weekly omnibus survey as a payday loan borrower.

Sample and Interviewing

In the first phase of the survey, the Pew Safe Small-Dollar Loans Research Project purchased time on SSRS's omnibus survey, EXCEL, which covers the continental United States. Analysis of the incidence of payday borrowing was conducted after 33,576 adults had been screened and answered a question about payday loan usage. An additional 16,108 adults were screened in order to find a sufficient number of storefront payday loan, online payday loan, and auto-title loan borrowers to complete a 20-minute survey about their usage and views, for a total of 49,684 screens to complete the research. The sampling error for those incidence estimates from the omnibus survey of borrowers is plus or minus 0.24 percentage points.

In the second phase, a total of 451 adults completed the full-length storefront payday loan survey, and 252 adults completed the full-length online payday

loan survey, for a total of 703 payday borrowers. The sampling error for the full-length survey of payday borrowers is plus or minus 4.2 percentage points. The sampling error for the full-length survey of storefront payday loan borrowers is plus or minus 4.6 percentage points, and it is plus or minus 6.2 percentage points for the full-length survey of online payday loan borrowers.

EXCEL is a national weekly, dual-frame bilingual telephone survey. Each EXCEL survey consists of a minimum of 1,000 interviews, of which 300 interviews are completed with respondents on their cellphones and at least 30 are conducted in Spanish, ensuring unprecedented representation on an omnibus platform. Completed surveys are representative of the continental United States population of adults 18 and older. EXCEL uses a fully replicated, stratified, single-stage, random-digit-dialing (RDD) sample of land-line telephone households and randomly generated cellphones. Sample telephone numbers are computer-generated and loaded into online sample files accessed directly by the Computer-Assisted Telephone Interviewing (CATI) system. Within each sample household, a single respondent is randomly selected. Further details about EXCEL and its weighting are available at www.pewtrusts.org/small-loans. The proportion of storefront to online borrowers was weighted to the ratio at which they occurred naturally in the omnibus. Including 252 online borrowers

reflects an oversample of 147 online borrowers, and the online borrower results have been weighted down accordingly so they would not have disproportionate influence over the full results.

Question Wording— Omnibus Survey

Wording for demographic and other questions is available at www.pewtrusts.org/small-loans.

Screening Phase (measuring incidence and compiling sample for callbacks):

- In the past five years, have you used payday loan or cash advance services, where you borrow money to be repaid out of your next paycheck?
- And was that physically through a store, or on the Internet?

Re-contact Phase (calling back respondents who answered affirmatively, and identifying additional borrowers to take the full-length survey immediately):

In the past five years, have you or has someone in your family used an in-person payday lending store or cash advance service?

Question Wording— Full-Length Survey of Storefront and Online Payday Loan Borrowers

The data from the nationally representative, full-length survey of 451 storefront payday loan borrowers and 252 online payday loan borrowers are based on responses to the following questions, which Pew designed with assistance from SSRS and Hart Research Associates. All other questions from this survey are being held for future release. The sample for this telephone survey was derived from the RDD omnibus survey. All questions also included “Don’t know” and “Refused” options that were not read aloud.

How would you rate the condition of your personal economic situation these days? Is it ... (READ LIST)? (ENTER ONE RESPONSE)

- 1 Very good
- 2 Fairly good
- 3 Fairly bad
- 4 Very bad

METHODOLOGY

How often, if ever, do you have trouble meeting your regular monthly bills and expenses—do you have trouble with this every month, most months, about half the time, less than half the time, or do you never have trouble meeting your regular monthly bills and expenses?

- 1 Every month
- 2 Most months
- 3 About half the time
- 4 Less than half the time
- 5 Never

Thinking back now to (that FIRST/the) time you took out (an online payday loan/a payday loan), which of the following best describes what specifically you needed the money for? (READ LIST. ACCEPT ONE RESPONSE.) (IF MORE THAN ONE, ASK:) Well, if you had to choose just one, which best describes what specifically you needed the money for?

- 1 To pay rent or a mortgage
- 2 To pay for food and groceries
- 3 To pay a regular expense, such as utilities, car payment, credit card bill, or prescription drugs
- 4 To pay an unexpected expense, such as a car repair or emergency medical expense

5 To pay for something special, such as a vacation, entertainment, or gifts

6 (DO NOT READ) Other (SPECIFY)

And was that primarily a personal or family expense, or was that primarily for a business that you own or operate?

(INTERVIEWER NOTE: If “BOTH,” PROBE—) If you had to choose just one, would you say it was primarily for personal or for business reasons?

- 1 For personal or family reasons
- 2 For business I own or operate
- 3 (DO NOT READ) Both

When you took out (that FIRST/the) (online payday loan/payday loan), would you say the terms and conditions of the loan were very clear, somewhat clear, somewhat confusing, or very confusing?

- 1 Very clear
- 2 Somewhat clear
- 3 Somewhat confusing
- 4 Very confusing

Please tell me whether you have or have not used each of the following methods to pay back (an online payday loan/a payday loan). How about (INSERT)?

METHODOLOGY

Have you used this method or not?

- 1 Have used
 - 2 Have not used
- a. Friends or family helped pay it off
 - b. Took out another short-term loan of any type to pay it off
 - c. Got a loan from a bank or credit union to pay it off
 - d. Had or saved enough money to pay it off
 - e. Used a tax refund to pay it off
 - f. Pawned or sold items to pay it off
 - g. Used a credit card to pay it off

Are you currently employed? (IF “NO,” ASK:) Are you a student, a homemaker, retired, or unemployed?

- 1 Yes, employed
- 2 Student
- 3 Homemaker
- 4 Retired
- 5 Unemployed
- 6 (DO NOT READ) Volunteer
- 7 (DO NOT READ) Disabled

(ASK ONLY OF EMPLOYED
STOREFRONT BORROWERS)

Are you self-employed or a small business owner, or not?

- 1 Yes, self-employed
- 2 No, not self-employed
- 3 (DO NOT READ) Both, self-employed/small business owner and work for someone else

How much can you afford to pay each MONTH toward (an online payday loan/a payday loan) and still be able to pay your other bills and expenses?

_____ (\$0 to \$1,000)

Overall, do you think that (online payday loans/payday loans) MOSTLY help borrowers like you or MOSTLY hurt borrowers like you? (IF “BOTH,” ASK:) I know it can be hard to say, but generally do you think they MOSTLY help or MOSTLY hurt borrowers?

- 1 Mostly help
- 2 Mostly hurt
- 3 (DO NOT READ) Some of both/neither

METHODOLOGY

(Have/Was) the (online payday loan(s)/ payday loan(s)) (been) more a SOURCE of stress and anxiety or more something that has RELIEVED stress and anxiety?

- 1 More a source of stress and anxiety
- 2 More something that has relieved stress and anxiety
- 3 (DO NOT READ) Neither/both

I'm going to read you several options. For each, tell me whether you would use this option if you were short on cash, and short-term loans of any kind no longer existed. How about (INSERT)?

- a. Borrow from family or friends
- b. Borrow from your employer
- c. Sell or pawn personal possessions
- d. Delay paying some bills
- e. Cut back on expenses such as food and clothing
- f. Take out a loan from a bank or credit union
- g. Use a credit card

Would you use this option or not?

- 1 Yes, would use
- 2 No, would not use

Which of the following best describes your view? (READ LIST. ACCEPT ONE RESPONSE.)

- 1 (Online payday loans/Payday loans) should be kept as they are now with no changes
- 2 There should be small changes to (online payday loans/payday loans)
- 3 There should be major changes to (online payday loans/payday loans)

(Asked of storefront borrowers only)

I'm going to read you several things that some people have told us happened to them. For each one I read, please tell me whether it has happened to you. How about had a payday lender attempt to make a withdrawal that overdrew your bank account? Has this happened to you or not?

- 1 Has happened
- 2 Has not happened
- 3 (DO NOT READ) Does not apply

(Asked of online borrowers only)

I'm going to read you several things that some people have told us happened to them. For each one I read, please tell me whether it has happened to you. How about had an online payday lender make a withdrawal that overdrew your bank account? Has this happened to you or not?

- 1 Has happened
- 2 Has not happened
- 3 (DO NOT READ) Does not apply

METHODOLOGY

Which of these statements comes closer to your point of view?

(READ STATEMENTS)

- 1 (Online payday loans/Payday loans) should be more regulated
- 2 (Online payday loans/Payday loans) should not be more regulated

If you find yourself in a financial bind again, how likely is it that you would take out (an online payday loan/a payday loan)? Is it very likely, somewhat likely, not very likely, or not at all likely?

- 1 Very likely
- 2 Somewhat likely
- 3 Not very likely
- 4 Not at all likely

Have you ever felt you were in such a difficult situation that you would take (an online payday loan/a payday loan) on pretty much any terms offered, or have you never felt that way?

- 1 Yes, have felt that way
- 2 No, have not felt that way

How much do you rely on (online payday lenders/payday lenders) to give you accurate information—completely, somewhat, not much, or not at all?
(ENTER ONE ONLY)

INTERVIEWER NOTE: ONLY READ IF RESPONDENT VOLUNTARILY ASKS A QUESTION SUCH AS, “WHAT KIND OF INFORMATION?” Say: “Information about the terms of the loan, including how much you pay in interest or fees, and when and how you will need to repay the loan.”

- 1 Completely
- 2 Somewhat
- 3 Not much
- 4 Not at all

Some people say (online payday loans/payday loans) take advantage of borrowers, while other people do not think (online payday loans/payday loans) take advantage of borrowers. What do you think, do (online payday loans/payday loans) take advantage of borrowers or not?

- 1 (Online payday loans/payday loans) take advantage of borrowers
- 2 (Online payday loans/payday loans) do not take advantage of borrowers
- 3 (DO NOT READ) Some of both/ neither

I’m going to read several types of financial products and services. For each one, please tell me whether you have used that product or service in the past year. Have you used (INSERT) in the past year?

METHODOLOGY

- 1 Yes, used
 - 2 No, have not used
- a. A personal checking or savings account at a bank or credit union
 - b. A credit card
 - c. A prepaid card that works like a debit card but is not attached to an actual bank account
 - d. Overdrafting on your checking account (IF NECESSARY: Overdrafting is when your checking account balance becomes negative because more money has been withdrawn than was in the account)

(ASK ONLY OF THOSE WHO HAVE USED A CREDIT CARD IN THE PAST YEAR)

In the past year, have you maxed out or been at the top of your credit limit on any of your credit cards?

- 1 Yes, have maxed out
- 2 No, have not maxed out

(ASK ONLY OF THOSE WHO HAVE NOT USED A CREDIT CARD IN THE PAST YEAR)

Have you not used a credit card in the past year because you do not want one, because you think you would not be approved to get one, you are already making payments on one, or did you apply for one and were turned down? (ENTER ONE ONLY)

- 1 Do not want one
- 2 Would not be approved for one
- 3 Already making payments on one
- 4 Applied and was turned down
- 5 (DO NOT READ) Have credit card, but haven't used it in past year
- 6 (DO NOT READ) None of these

Focus Group Methodology

On behalf of the Safe Small-Dollar Loans Research Project, Hart Research Associates and Public Opinion Strategies conducted eight two-hour focus groups, with two groups per location in New York City; Chicago; Birmingham, AL; and Manchester, NH. Those groups were conducted during weekday evenings from Sept. 7, 2011, through Sept. 19, 2011. The Safe Small-Dollar Loans Research Project conducted two additional groups in San Francisco on Nov. 16, 2011. All quotations come from these 10 focus groups.

Endnotes

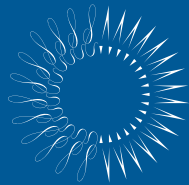
- 1 The Pew Charitable Trusts, “Payday Lending in America: Who Borrows, Where They Borrow, and Why” (2012), available at: <http://www.pewstates.org/research/reports/who-borrows-where-they-borrow-and-why-85899405043>.
- 2 CashNetUSA. <https://www.cashnetusa.com/payday/articles/safe-secure-payday-loans-best-found-online.html>.
- 3 Jamie Fulmer’s presentation on behalf of the Consumer Financial Services Association available at: http://www.ncsl.org/portals/1/documents/fiscal/Jamie_Fulmer_PowerPoint.pdf.
- 4 Fisca website: <http://www.fisca.org/Content/NavigationMenu/AboutFISCA/FAQs/default.htm>.
- 5 See note 3, above.
- 6 The Pew Charitable Trusts, “Payday Lending in America: Who Borrows, Where They Borrow, and Why” (2012), p. 9.
- 7 These figures are from Pew’s first report in this series, “Payday Lending in America: Who Borrows, Where They Borrow, and Why” (2012). The data for online borrowers have not been previously published.
- 8 Center for Financial Services Innovation. “A Complex Portrait—An Examination of Small-Dollar Credit Consumers.” 2012. Available at: <http://cfsinnovation.com/system/files/A%20Complex%20Portrait-%20An%20Examination%20of%20Small-Dollar%20Credit%20Consumers.pdf>.
- 9 Industry analyst Stephens Inc. in its 2011 report estimates that borrowers do not become profitable for lenders until they have borrowed four or five times. Robert DeYoung and Ronnie J. Phillips of the Federal Reserve Bank of Kansas City Economic Research Department also conclude that “the profitability of payday lenders depends on repeat borrowing.” <http://www.kansascityfed.org/PUBLICAT/RESWK/PAP/PDF/rwp09-07.pdf>. An analysis of North Carolina data found that 73 percent of lender revenue came from borrowers using seven or more loans per year. Michael A. Stegman and Robert Faris, “Payday Lending: A Business Model that Encourages Chronic Borrowing,” *Economic Development Quarterly* (2003), www.ccc.unc.edu/abstracts/0203_Payday.php. See also: The Pew Charitable Trusts, “Payday Lending in America: Who Borrows, Where They Borrow, and Why” (2012), p. 15.
- 10 Pew’s first report in this series, “Payday Lending in America: Who Borrows, Where They Borrow, and Why” (2012), found that borrowers are indebted for an average of five months, using eight loans (based on state regulatory data) that last 18.2 days (based on the Annual Report from Advance America, the largest storefront lender, which industry analysts use as a proxy for the storefront payday lending industry).
- 11 “Oklahoma Trends in Deferred Deposit Lending, 2011.” 2011. http://www.ok.gov/okdocc/documents/2011_10_OK%20Trends_Final_Draft.pdf.
- 12 See note 11, above.
- 13 See note 9, above.

- 14 “Florida Trends in Deferred Presentment.” 2010. https://www.veritecs.com/Docs/2010_06_FL_Trends-UPDATED.pdf. “Oklahoma Trends in Deferred Deposit Lending, 2011.” 2011. http://www.ok.gov/okdocc/documents/2011_10_OK%20Trends_Final_Draft.pdf.
- 15 Leslie Parrish and Uriah King, “Phantom Demand: Short-term due date generates need for repeat payday loans, accounting for 76% of total volume.” Center for Responsible Lending. June 2009. <http://www.responsiblelending.org/payday-lending/research-analysis/phantom-demand-final.pdf>.
- 16 In 2011, the average payday loan at the nation’s largest payday lender—Advance America—was \$375, based on its annual (10-K) report. Industry analyst Stephens Inc. uses Advance America as a proxy for the payday lending industry. Stephens Inc., “Payday Loan Industry” (2011). The average fee reported in Advance America’s 10-K was \$55, yielding a repayment of \$430 in two weeks (\$375+\$55). Stephens also reports an average fee of \$25 per \$100 borrowed for online loans, implying a \$95 fee for \$375 borrowed, yielding a repayment of \$470 in two weeks (\$375+\$95).
- 17 See note 10, above.
- 18 See note 14, above.
- 19 See note 6, above, p. 15.
- 20 See note 9, above. Most borrowing occurs in rapid succession (see note 15, above).
- 21 See note 11, above.
- 22 A trade group website includes a section titled “Is a Payday Advance Appropriate for You,” which states, “A payday advance should be used responsibly and for only the purpose for which it is intended: To solve temporary cash-flow problems by bridging the gap between paydays. A payday advance is designed to provide short-term financial assistance. It is not meant to be a long-term solution.” <http://cfsaa.com/what-is-a-payday-advance/is-a-payday-advance-appropriate-for-you.aspx> (accessed December 26, 2012).
- 23 Center for Financial Services Innovation. “A Complex Portrait—An Examination of Small-Dollar Credit Consumers.” 2012. Available at: <http://cfsinnovation.com/system/files/A%20Complex%20Portrait-%20An%20Examination%20of%20Small-Dollar%20Credit%20Consumers.pdf>.
- 24 Oren Bar-Gill and Elizabeth Warren. “Making Credit Safer,” (2008). Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1137981.
- 25 Examples include Marianne Bertrand, Sendhil Mullainathan, and Eldar Shafir. “Behavioral Economics and Marketing in Aid of Decision-Making among the Poor,” (2006); Stephen J. Hoch. “Counterfactual Reasoning and Accuracy in Predicting Personal Events,” (1984); and Ron Harris and Einat Albin. “Bankruptcy Policy in Light of Manipulation in Credit Advertising.” (2006).
- 26 Raymond S. Nickerson. “Confirmation Bias: A Ubiquitous Phenomenon in Many Guises.” (1998). Available at: <http://psy2.ucsd.edu/~mckenzie/nickersonConfirmationBias.pdf>.
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- 29 Advance America. <http://www.advanceamerica.net/community-outreach/witfy>.
- 30 Advance America printed advertisement. “People are Saving by Dining In.” On file at The Pew Charitable Trusts.
- 31 CashNetUSA. <http://www.cashnetusa.com/fast-cash/fast-cash-payday-loan.html>.
- 32 Quik Cash printed advertisement. September 2012. On File at The Pew Charitable Trusts.
- 33 We Loan Cash. www.weloancash.net.
- 34 Reliable Finance printed advertisement. September 2012. On file at The Pew Charitable Trusts.

- 35 Washington State Department of Financial Institutions. 2011 Payday Lending Report. <http://www.dfi.wa.gov/cs/pdf/2011-payday-lending-report.pdf>.
- 36 For example, a \$500 loan in Washington carries a \$75 fee, so the default loan structure would require a \$575.00 payment, while the installment structure would provide for up to 12 payments of \$47.92 each over 180 days.
- 37 Details governing Washington's installment options on payday loans are available at <http://apps.leg.wa.gov/Rcw/default.aspx?cite=31.45.084>.
- 38 See note 35, above.
- 39 This calculation is made by dividing the 40,367 loans that were paid in full within a month by the 297,985 loans that were made. Data are available at: http://www.coloradoattorneygeneral.gov/sites/default/files/uploads/uccc/annual_reports/2011%20DDL%20Composite.REV_.pdf.
- 40 For example, Raj Chetty et al. classify 85 percent of people as "passive savers" who are heavily influenced by defaults as to whether to use a retirement savings account, but not by tax incentives to save. "Active vs. Passive Decisions and Crowdout in Retirement Savings Accounts: Evidence from Denmark." 2012. According to John Beshears et al., "recent research has highlighted the important role that defaults play in a wide range of settings: organ donation decisions (Johnson and Goldstein 2003; Abadie and Gay 2004), car insurance plan choices (Johnson et al. 1993), car option purchases (Park, Jun, and McInnis 2000), and consent to receive e-mail marketing (Johnson, Bellman, and Lohse 2003)." Beshears et al. find that defaults have "tremendous influence" on "savings plan participation, contributions, asset allocation, rollovers, and decumulation." "The Importance of Default Options for Retirement Savings Outcomes," published in *Social Security Policy in a Changing Environment*. 2009.
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- 43 National Consumer Law Center. "300% Bank Payday Loans Spreading." http://www.nclc.org/images/pdf/banking_and_payment_systems/ib_bank_payday_spreading.pdf.
- 44 CashNetUSA. <http://www.cashnetusa.com/payday/articles/use-payday-loans-to-stop-a-bank-overdraft-or-nsf-fee.html>. (2012).
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- 46 These results refer to those borrowers who have had an account at a bank or credit union in the past year. Because these are questions about extended periods of time, it is impossible to say whether borrowers were overdrafting at the same times they were using payday loans, but the underlying point remains valid that payday loans do not eliminate overdraft risk.
- 47 It should be noted that bank customers can avoid overdraft fees on debit card transactions and ATM withdrawals by not opting in to overdraft coverage when they open an account, or by opting out at a later point. But a study by Pew's safe checking in the electronic age project, "Overdraft America: Confusion and Concerns about Bank Practices" (2012), found that a majority of customers who had paid an overdraft penalty fee in the last year did not realize that they had opted in to these fees.
- 48 Cypress Research Group. "Payday Advance Customer Satisfaction Survey." 2004. Available at: <http://www.rtoonline.com/images/Payday-Loan-National-Customer-Satisfaction-Survey.pdf>.
- 49 FiServ brochure. "Relationship Advance." 2009. On file at The Pew Charitable Trusts.
- 50 Dennis Campbell, Francisco de Asis Martinez-Jerez, and Peter Tufano. "Bouncing Out of the Banking System: An Empirical Analysis of Involuntary Bank Account Closures." 2008. Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1335873.

ENDNOTES

- 51 Donald P. Morgan and Michael R. Strain. “Payday Holiday: How Households Fare after Payday Credit Bans.” 2007. Available at: http://www.newyorkfed.org/research/staff_reports/sr309.pdf.
- 52 Bretton Woods Inc. 2008 Fee Analysis of Bank and Credit Union Non-Sufficient Funds and Overdraft Protection Programs. 2009. Available at: [http://bretton-woods.com/media/Bretton\\$20Woods\\$2C\\$20Inc.\\$202008\\$20NSF-ODP\\$20Fee\\$20Analysis\\$2C\\$2001-09-2009.pdf](http://bretton-woods.com/media/Bretton$20Woods$2C$20Inc.$202008$20NSF-ODP$20Fee$20Analysis$2C$2001-09-2009.pdf) Analysis by Center for Responsible Lending. “Payday Loans Put Families in the Red.” 2009. Available at: <http://www.responsiblelending.org/payday-lending/research-analysis/payday-puts-families-in-the-red-final.pdf>.
- 53 The Pew Charitable Trusts. “Overdraft America: Confusion and Concerns about Bank Practices.” (2012) http://www.pewhealth.org/uploadedFiles/PHG/Content_Level_Pages/Issue_Briefs/SC-IB-Overdraft%20America.pdf.
- 54 The exact wording for this question was different for storefront and online borrowers because of an oversight and is reported verbatim in the methodology section.
- 55 The Pew Charitable Trusts. “Payday Lending in America: Who Borrows, Where They Borrow, and Why.” (2012).
- 56 The other options that payday borrowers say they would have available to them if payday loans were unavailable are discussed in more detail in the first report in this series, “Payday Lending in America: Who Borrows, Where They Borrow, and Why.” (2012).
- 57 Marianne Bertrand and Adair Morse. “What Do High-Interest Borrowers Do With Their Tax Rebate?” (2009). Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1344489.
- 58 Center for Responsible Lending’s analysis of how a payday loan would fit into a typical borrower’s household budget reached a similar conclusion. “Springing The Debt Trap.” (2007). Available at: <http://www.responsiblelending.org/payday-lending/research-analysis/springing-the-debt-trap.pdf>.
- 59 See note 48, above.
- 60 Robert B. Avery and Katherine A. Samolyk, “Payday Loans Versus Pawn Shops: The Effects of Loan Fee Limits on Household Use.” (preliminary draft, 2011).
- 61 ACE Cash Express. <https://www.acecashexpress.com/services>.
- 62 Dollar Financial Group. <http://www.dfg.com/mobile/products.asp>.
- 63 Check into Cash. <http://checkintocash.com/Testimonials/>.
- 64 Check into Cash. <http://checkintocash.com/Testimonials/>.
- 65 Dollar Loan Center DBA www.dontbebroke.com; Quik Cash. Printed advertisement, downloaded September 2012.
- 66 Center for Financial Services Innovation. “A Complex Portrait.” 2012. Forty-four percent of payday borrowers would use the loans again only if they have no better options, 33 percent would use the product again without hesitation, and 22 percent would not use payday loans again.
- 67 Pew’s first report in this series found that in states that restrict storefront lending, 95 out of 100 would-be borrowers elect not to use payday loans at all—just five borrow online or elsewhere. “Payday Lending in America: Who Borrows, Where They Borrow, and Why” (2012), pps. 22-23.
- 68 Janneke Ratcliffe and Kim Manturuk. “North Carolina Consumers after Payday Lending: Attitudes and Experiences with Credit Options” UNC Center for Community Capital. (2007). Available at: http://www.nccob.gov/public/docs/News/Press%20Releases/Archives/2007/NC_After_Payday.pdf.
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