Payday Lending

John P. Caskey[1]

This paper analyzes payday lending. Payday lenders generally make uncollateralized loans of $100 to $500 that borrowers agree to repay within about two weeks. Annualized interest rates on these loans are typically 400% or more. This paper explains the key features of payday loan contracts, reviews data profiling payday loan customers, and examines why people use these high-cost loans. The paper also provides data on the frequency with which customers use payday loans, addressing the charge that many customers become entrapped in a revolving series of short-term debts.
Key words: *Payday loan, Debt problems, Consumer finance*

Introduction

This paper analyzes payday lending. A payday loan is an uncollateralized closed-end loan intended to help a person meet financial needs that have arisen prior to the borrower's next payday.[a] Payday lenders commonly advance $100 to $500 that borrowers agree to repay within about two weeks or on their next payday. Annualized interest rates on these loans are typically 400% or more.

Payday lending should be of interest to financial counselors and others for a variety of reasons. Over the past decade, it has been one of the most rapidly growing segments in consumer financial services. In addition, given the high annualized interest rates on payday loans, many people wonder why anyone would use the service. Moreover, critics of payday lending have charged that these loans entrap modest income households in a series of high-cost debts. This charge has made the industry highly controversial, and raises difficult issues for financial counselors and financial regulators.

There have been previous studies of payday lending, including the recently published studies by Elliehausen and Lawrence (2001) and Fox and Mierzwinski (2001). While generally of high quality, previous studies are almost all by groups that take strong advocacy positions either in favor of the industry or in opposition. This paper, in contrast, does not seek to make a case in support or in opposition to payday lending. Rather, it uses available data to establish what we know about the operations of payday lenders, who uses payday loans and why they choose to do so, and the extent to which customers become frequent users of the loans.[b] The paper also emphasizes the limitations of available data.

In the subsequent section, I explain the key features of payday loan contracts and the underwriting process. In describing payday lending, I do not attempt to be encyclopedic. In particular, I largely omit discussions of several problems that were endemic to payday lending in its early years and still plague it to some extent, such as the failure of some payday lenders to comply with Truth-in-Lending statutes and the use of coercive collection tactics. This allows me to keep the paper reasonably brief and to focus on payday lending as it functions under the highest standards in the industry. In the third section, I review data profiling customers for payday loans. In the fourth section, I examine why people use these high-cost loans. The fifth section provides data on the frequency with which customers use payday loans, addressing the charge that people become entrapped in a revolving series of short-term debts. The concluding section briefly discusses three unresolved questions concerning payday lending and the prospects for answering them through future research.

The Structure of Payday Loans

Payday lending is a relatively new business that has grown explosively over the past decade. At the beginning of the 1990s, there were probably fewer than 200 payday loan offices nationally. The exact number is uncertain since, at that time, most payday lenders were commercial check-cashing outlets (CCOs) that made payday loans as a casual extension of their core business and no one tracked them (Caskey, 1994). By mid-2001,

---

1. *John P. Caskey, Professor of Economics, Swarthmore College, 500 College Ave, Swarthmore, PA, 19081. Phone: 610-328-8128 Fax: 610-328-7352. E-mail: jcaskey1@swarthmore.edu*

Many people helped me to understand better the payday loan industry and I am grateful to them all. Among those who made special contributions are David Cowles, Jean Ann Fox, Bob Snarr, Billy Webster, and staff members of the Indiana and Wisconsin Departments of Financial Institutions. In naming them, I do not suggest that they necessarily agree with the ideas expressed in the paper or its tone. I am solely responsible for any errors or misinterpretations.

there were about 10,000 payday loan offices nationally, about half of which also function as CCOs (Robinson, 2001). About 4,400 of these belong to firms that operate 200 or more offices spread across multiple states.

Payday loan offices are found in all but a few states. In states where usury laws are not restrictive, many operate under state laws.[c] In other states, payday lenders commonly have business agreements with banks located in states with permissive usury rules whereby the banks technically make the loans. The lenders argue that the relevant usury ceiling is that of the state in which the bank is located since, like banks that offer credit cards across state lines, the bank can "export" its interest rates to customers in other states. Under this arrangement, the payday lenders function as agents for the banks. They market the loans, gather the loan application information, and they handle the collection process. In many cases, in exchange for a share of the interest payments on the loans, the payday lender agrees to reimburse the bank for substantially all of the loan losses or the payday lender purchases a substantial share of the loan from the bank.[d]

A payday loan is a relatively simple transaction. In its traditional form, a customer writes a personal check made out to the lender.[e] The lender agrees to hold the check for the specified period of time, usually until the customer's next payday or for up to about two weeks, before depositing it. In exchange, the payday lender advances a cash payment to the customer that is somewhat less than the amount of the check.[f] The difference, which is the "finance charge," in combination with the maturity of the loan determines the annualized interest rate. In the states where payday lending thrives, lenders typically charge $15 to $25 for each $100 that they advance with a two-week maturity.[g] That is, in a typical transaction, a borrower might write a check for $235 that the lender agrees to hold for two weeks. The lender would provide the borrower with a $200 cash advance. Most lenders limit their loans to under $500. Lenders strive to make the loan process quite quick. In most cases, a first-time borrower who arrives with the necessary information (a check, recent pay stub, copies of recent bank statements, identification, and a series of utility bills or other evidence of a stable place of residence) can walk out with his cash in under 30 minutes.

Prior to the maturity of the loan, the borrower can pay the lender the face value of the check in cash. In this case, the lender will return the check to the borrower and the transaction is concluded.[h] If the borrower has not repaid the loan by its maturity, the lender may deposit the check. Assuming that the check clears, the loan is fully repaid and the transaction is complete. If the check is returned unpaid because of insufficient funds in the account, the payday lender will immediately contact the borrower to try to find a satisfactory solution. The lender typically telephones the borrower at home or at work and urges him to repay the loan in cash promptly or to renew the loan. Under either approach, a borrower whose check bounced must also usually pay the lender a "returned check" fee, commonly about $20.

There are two ways that a borrower can renew a loan. The method used depends on the policies of the lender and the regulations in the state in which the lender operates. One method is a "rollover." In a rollover, the borrower pays the lender the finance charge due at maturity and the lender agrees to hold the check for another specified period of time. Imagine, for example, that a borrower originally receives a cash advance of $200 and gives the lender a check for $235 that the lender agrees to hold for two weeks. At the end of the two weeks, the lender may allow the borrower to pay $35 in cash and agree to hold the check for another two weeks. The other way to extend the maturity of a loan is a "same-day" advance. Under a same day advance, the borrower repays an existing loan with its finance charge and, on the same day, takes out a new cash advance equivalent to the previous cash advance. The same-day advance is nearly equivalent to the rollover but, in the example above, it does require the borrower to pay $235 for at least a brief period of time prior to receiving the second $200 cash advance.

Under either method of renewing a loan, the interest on the loan is paid with each renewal. There is no compounding of interest. This makes the calculation of the annual percentage rate quite simple. For example, the annual percentage interest rate on a two-week $200 loan for which the lender charges $30 is 390% (15% for two weeks multiplied by 26). Given the short maturity of the loans and the size of the finance charge relative to the size of the loan, annual percentage interest rates on payday loans commonly fall between 350% and 1,000%.

Some states set limits on the number of times a payday lender can renew a loan.[i] Even in states that do not set such limits, some payday lenders set their own limits on renewals.[j] But limitations on renewals are difficult to enforce. If state law, or the lender's policy, only restricts rollovers, a lender can renew the loan with a same-day advance. If same-day advances are not permitted, a borrower can create one by repaying one lender and, on the same day, going to another lender to take out a new loan. Finally, a borrower can repay one lender, wait a few days, and borrow again from the same lender or a different one. Because payday loans are often structured to fall due on a person's payday, even financially-pressed people are likely to have sufficient funds to repay a loan on that day. The problem is that they may not have enough money remaining after repaying the loan to meet necessary expenses until the next payday. Thus, they may take out a new payday loan several days after repaying an old one. Such a pattern is similar to a loan renewal even though the person is completely out of debt to the payday lender for a period of several days.

In discussions with borrowers who do not have sufficient funds in their accounts to cover their checks at loan maturity, lenders will frequently encourage the borrowers to repay or renew the loan by emphasizing possible penalties from a failure to do so. A lender, for example, may emphasize that, if he deposits the check and it bounces, this will result in a "non-sufficient funds" (NSF) fee from the borrower's bank and a returned check charge from the lender. In addition, the bank may force a borrower to close her account if she has a history of writing NSF checks.[k] Since the NSF and returned check fees commonly aggregate to $45 or more, this provides an incentive for the borrower to renew the loan or to find a way to repay the loan.[l] Payday lenders will also generally report a borrower who defaults to "TeleTrack," a credit reporting agency that specializes in subprime credit transactions. This will make it difficult for a borrower to obtain future payday loans.

Despite these measures, payday lenders can face substantial risk making uncollateralized loans to financially-pressed individuals. Most payday lenders reduce this risk by lending only to loan applicants with steady employment records who have maintained checking accounts in good standing for about six months or longer. Many lenders only lend to applicants whose salaries are directly deposited into their bank accounts. Many lenders limit first-time customers to loans of $200 or less but will gradual increase the size of their cash advances to customers who develop a history of repaying or renewing loans reasonably promptly. Lenders commonly limit the size of loans to even well-established customers to under $500 or about one-third of a customer's net paycheck, whichever is less. With first-time loan applicants, many lenders will pay a fee to verify whether or not the person has an adverse report in the TeleTrack system. The TeleTrack service will also tell them whether or not the loan applicant has other outstanding payday loans. The lenders do not run traditional credit checks since this costs money and they are willing to lend to people with traditionally impaired credit histories. In addition to such underwriting criteria, lenders further reduce their risk by closely monitoring their borrowers and by responding quickly to any developing problems. Many lenders, for example, telephone borrowers a day or two prior to the maturity of their loans to remind them of the due date and, if appropriate, to urge them to take actions to prevent default.

This review of the product and the operations of payday lenders explains much of the reason for why payday loans carry high interest rates. Payday lending is labor intensive because the borrowers have face-to-face interactions with lenders each time they borrow or extend a loan. In addition, lenders devote substantial time to monitoring the status of the loans and working to minimize defaults. Payday loans are generally originated and serviced from local loan offices, so the lenders must price the loans to cover both their labor time and their office occupancy expenses. Because the loans are small, dividing these expenses across each loan results in a high cost per loan.[m] The finance charge must be set sufficiently high to cover these expenses.[n]

In addition to labor costs and office occupancy expenses, payday lenders must cover their loan losses.[o] Available data suggest that unpaid obligations to payday lenders amount to about 10% to 20% of the finance charges they levy over the course of a year. A report by the North Carolina Commissioner of Banks (2001, p. 4), the agency that oversees payday lenders in that state, indicated that over the course of 1999, 142 licensed lenders in the state had originated or renewed 2.9 million loans.[p] The aggregate value of these loan originations and renewals was $552.9 million on which the lenders charged $96.6 million in fees. Of an unreported number of checks that the lenders submitted for payment, 166,558 with a face value of $36.5 million were returned unpaid. After collection efforts, the lenders wrote off $9.9 million in losses, about 10% of the gross finance charges on the loans. In Colorado, the Colorado Supervised Lenders' Annual Report (2000) indicates that 186 licensed payday lenders originated or renewed 536,375 loans in 2000 totaling $106.1 million. Out of an unreported number of checks that the lenders submitted for payment, 40,733 with a face value of $8.6 million were returned unpaid. After collection efforts, the lenders wrote off $2.4 million in losses, about 13% of the gross finance charges on the loans. ACE Cash Express is a publicly-held payday loan and check-cashing firm that provides audited data on its business operations. It makes payday loans with maturities of up to two weeks, charging $17 for each $100 it advances.[q] In its 10-K filing covering the fiscal year ending June 30, 2001, ACE reported that its average payday cash advance was $269 (ACE, 2001). Its average finance charge for this advance was $42.30. Over the course of the year, ACE made 1.5 million payday loans totaling $397 million dollars. It charged off $13 million in loan losses for the year, or about 21% of the aggregate finance charges on its loans.[r]

Critics of payday lending have argued that the loans are unduly costly because the lenders have significant market power. There is an asymmetry of power when a lender does business with a financially-pressed borrower who either has no alternative source for credit or cannot or does not shop for alternatives. According to the critics, payday lenders use this power to set the price on the loans well above the cost of providing them, thereby achieving unusually high rates of profit.

No one denies that payday lending has been highly profitable over the 1990s.[s] In states where payday lenders can charge $15 or more for each two-week $100 cash advance, the reported returns from the business fed the growth of the industry as existing firms added more offices and new firms entered the field. In addition, as the industry grew, it organized to lobby states to preserve or create a legal and regulatory environment that permits payday lenders to flourish (Fox & Mierzwinski, 2000). But as long as barriers to entry into payday lending are low, the high profits associated with the business are likely to diminish over time. According to economic theory, and as played out in many other industries, high profits attract new entrants. The new entrants steal business from existing operators, driving down their returns.[t] The process will eventually stabilize when so many payday loan offices have opened that most lenders only make normal rates of return.

Making this point about the long-run effects of competition on profits is not equivalent to arguing that interest rates on payday loans should be unregulated. If one believes that payday lending is pernicious, for example, it is perfectly reasonable to advocate that governments set fee ceilings so low that payday lenders are forced out of business. Even people who believe that there is a useful role for payday loans can favor fee ceilings and other regulations to prevent an unscrupulous lender from taking advantage of particularly vulnerable customers. Advocates for payday lending, of course, would favor fee ceilings high enough to enable payday lenders to survive in sufficient quantities as to be reasonably convenient for most customers.

Who Uses Payday Loans?

Survey information on the characteristics of payday loan customers is limited but broadly consistent. One survey, funded by a payday lender trade association, the Community Financial Service Association of America (CFSA), was conducted by the Credit Research Center at Georgetown University. Participating payday lenders, who were members of the CFSA, provided the Credit Research Center (CRC) with a random sample of 5,430 customers' names and telephone numbers. The CRC hired a firm to conduct a telephone survey of these customers with a goal to complete 500 interviews. Of the 5,430 names on the list, the surveyors could not reach 3,168, mainly because the phone had been disconnected or the borrower was never at home when the survey organization called. Of the 2,196 people the organization reached, 858 refused to be interviewed, 726 denied that they had ever taken out a payday loan (although the lenders' records clearly indicated that they had), and 185 began but refused to complete the interviews. The organization was able to complete 427 interviews from the original 5,430 names. Obviously, one cannot assume that this selection is representative of payday loan customers generally. Nevertheless, the data from these 427 respondents are interesting.

As shown in Table 1, the Credit Research Center survey found that slightly over half of the responding payday loan customers reported household incomes of between $25,000 and $50,000. The remaining customers were almost equally divided between those with household incomes under $25,000 and those with incomes over $50,000. In addition, as shown in the table, payday loan customers tend to be younger than the general adult population and they are more likely to have children. They are substantially less likely to have a college degree, although relatively few have less than a high school degree. Finally, 42% report that they own their homes while 66% of the general adult population does; 56.5% of the surveyed payday advance customers report that they have a bank credit card versus 72.5% of the general adult population.

The information available from state regulatory agencies, which is reviewed below, is broadly consistent with this portrait, except that it suggests a lower percentage of homeowners and, perhaps, somewhat lower household incomes. This latter point is uncertain since the data from the state regulatory agencies only report the individual incomes of the borrowers, not their household incomes.[u] In addition, the data from the state agencies suggest that somewhat over half of payday loan customers are female.

The Wisconsin Department of Financial Institutions (2001) reviewed the loan files of 321 customers who patronized at least one of 14 payday loan offices that the Department selected to sample out of the 202 offices open in the state in 2000. The Department found that 53% of the borrowers were women. The average age of the customers was 39. The average annualized take-home pay for the customers was $18,675. For 54 of the customers, rather than reporting net income, the loan files reported gross income. For these customers, their average annualized gross income was $24,673. Of those who reported whether or not they own or rent their home, 74% said that they rent.

The Illinois Department of Financial Institutions (1999) conducted a similar survey of the records at payday lenders located in that state. Based on data drawn from over 600 different customers from 60 payday loan offices, it found that 60% of the borrowers were women. The average age for borrowers was 37. Their average annualized income (not specified whether recorded on a net or gross basis) for the borrowers was $25,131. About 75% reported that they rented their home, 15% owned their home, and 10% either did not report their status or were in some other category. Using the data provided by the Department, the Woodstock Institute (2000) constructed a chart (reproduced as Table 2 below) indicating the distribution of income among the payday loan customers.

Why Do People Borrow From Payday Lenders?

In analyzing why people borrow from payday lenders, there are two separate questions. First, why do people want to borrow $100 to $500 on short notice prior to their next payday? Second, given this desire, why do people patronize payday lenders rather than an alternative?

Information on why people want to take out a small loan prior to their payday is very limited. In informal discussions, payday lenders say that most of their clients have almost no money in their bank accounts and they have pressing expenditure needs. Such a situation may arise because of an unexpected expense, an unexpected income shortfall, or because of poor budgeting habits. In addition, as critics of payday lending emphasize, once someone has borrowed from a payday lender, the person may have to borrow for several more pay periods before she will be able to repay all of the principal as well as meet other expenditure obligations.

The Credit Research Center survey asked payday loan customers why they wanted to borrow money. Elliehausen and Lawerence (2001) report that 47% of the customers said their most recent payday loan was to meet an unplanned expense, 19% said that it was to address a temporary reduction in income, 12% said that it was to meet a planned expense, and 23% said that it was for some other reason. Unfortunately, it is hard to know what the respondents had in mind when they classified their loans by these reasons, so the information is merely suggestive. Moreover, the respondents were not asked if they had taken out a payday loan in the previous pay period so the data do not tell us the extent to which a new payday loan may be used to help address budgeting problems related to previous payday loans.

Table 1.
Socioeconomic Characteristics of Payday Loan Customers (Elliehausen & Lawrence, 2001)

	% of surveyed payday loan customers	% of all adults[v]
Family income		
Less than $25,000	23.0%	31.5%
$25,000 to $49,999	51.5%	29.0%
$50,000 or more	25.4%	39.6%
Age		
Less than 35	36.4%	28.7%
35 to 44	31.9%	22.5%
45 to 54	21.7%	17.3%
55 to 64	6.5%	12.0%
Over 65	3.5%	19.5%
Family structure		
Married with children	40.2%	28.0%
Married without children	16.6%	32.9%
Unmarried with children	23.3%	12.4%
Unmarried without children	20.0%	26.7%
Education		
No high school diploma	6.2%	9.7%
High school diploma	38.3%	34.3%
Some college	36.1%	21.1%
College degree	19.4%	34.9%
Own home	41.7%	66.3%
Has bank credit card	56.5%	72.5%

Table 2.
Distribution of Income of Payday Loan Customers in Illinois (Woodstock Institute, 2000)

Reported annual earnings of borrowers	Percent of borrowers in this category
Less than $15,000	19%
$15,000 to $24,999	38%
$25,000 to 39,999	31%
$40,000 and over	12%

Payday lenders commonly explain that their customers come to them for loans because they have no better alternatives. Often the borrowers are only seeking to solve an immediate need for about $200, and banks do not make such small loans except through credit card advances or lines of credit on a checking account. These options are not open to people who do not have credit cards or overdraft protection, and payday lenders report that many of their customers do not because of flawed credit histories. Even among those payday loan customers with credit cards or lines of credit attached to their checking accounts, many have reached their credit limits and cannot obtain additional funds through these means. Some payday loan customers with minimally adequate credit histories or who own their own homes might be able to obtain an unsecured personal loan or home equity loan from a bank. But such loans may be larger than the payday loan customer wants and may take several days to process.

A second alternative for someone facing a shortfall of two to three hundred dollars is to seek such an advance from a family member or friend. Payday lenders report that their customers often prefer to pay for the advance from a payday lender rather than reveal their financial situation to friends or family members. In addition, some customers may have exhausted their access to such informal alternatives.

A third alternative for someone facing a cash shortfall is to make payments using checks that the person knows will bounce or to delay meeting some payment obligations, such as rent or utility bills. These alternatives can also be costly. Banks commonly charge $20 to $30 for each check that bounces and the firms to which the checks were written also typically impose "returned check" charges, often around $20.[w] Even if the bank honors the check, it commonly levies an overdraft fee and many banks close the accounts of customers who frequently overdraw their checking accounts. Utility companies, landlords, and other firms commonly impose financial penalties for late payments.

The limited data that are available on payday loan customers support the notion that many have impaired credit histories or have reached the limit of the credit that lower-cost lenders are willing to extend to them. In the Credit Research Center telephone survey of payday loan customers, 61% reported that they refrained from using a credit card at some point in the previous year because of concerns that they would exceed their credit limit (Table 3). In addition, much higher percentages among the payday loan customers compared to the general adult population reported that: at some point in the previous five years they were turned down for credit or not given as much credit as they applied for; they did not apply for credit because they thought that they would be turned down; or they filed for bankruptcy.

Table 3.
Indicators of Impaired Credit Histories among Payday Loan Customers (Elliehausen & Lawrence, 2001)

	% among surveyed payday loan customers	% among adult population[x]
Refrained from using bank credit card in past year because credit limit would have been exceeded	60.8%	n.a.
In the past 5 years, you ...		
Were turned down or not given as much credit as you applied for	73.0%	21.8%
Considered applying for credit but did not because you thought you would be turned down	67.7%	14.3%
Filed for bankruptcy	15.4%	3.7%

The Credit Research Center telephone survey also asked payday loan customers' about their perceived cost of bouncing checks or making late payments compared to the cost of a payday loan. About half of the customers thought that the cost of a payday loan was the same or lower than the cost of return check fees, late fees on rent or mortgage payments, or late fees on consumer debt payment obligations (Elliehausen & Lawrence, 2001).

Finally, the Credit Research Center survey of payday loan customers asked about their consideration of credit alternatives. Only 38% of the respondents indicated that they considered alternative sources of credit. Of these, about half said that they considered a bank, 16% considered a credit union, and 30% considered a finance company. Only 5% considered borrowing from a family member or friend. Among those who considered using an alternative source of credit, 60% reported that they chose to use a payday lender primarily because of the speed and ease of the transaction. Another 11% cited the convenient location of the payday lender relative to alternatives and 9% chose the payday lender because the loan would not be reported to a traditional credit agency.

Some critics of payday lending have hypothesized that many customers of payday lenders may not understand just how expensive this source of credit is relative to mainstream alternatives and that this could explain some of the demand for payday loans. Data from the telephone survey provides mixed support for this hypothesis. The survey asked the payday loan customers to report the size of their most recent cash advance transaction, whether or not it was a new loan or a renewal, and to report the finance charge on the transaction. As shown in top half of Table 4, almost 70% of the respondents gave replies indicating that they paid between $15 and $24 per $100 that they were lent. Another 6% reported paying $25 or more per $100 of cash advance. Since the vast majority of payday lenders levy finance charges in these ranges, it appears that at least three quarters of the borrowers remembered to a reasonably accurate degree the dollar cost of the cash advance they received.

Most of the surveyed payday loan customers, however, did not know the annual percentage rate on their loan. Even among those who claimed to know the rate, most had a very inaccurate notion. As shown in Table 4, although 78% of the customers said that they recalled that the lender provided them with the APR on the loan, 72% said that they did not know the APR on their most recent loan. Of those who claimed to know the APR, 41% thought that it was less than 30% and another 16% thought that it was between 30 and 200%. Less than half of the customers who claimed to know the APR stated a range that is credible for a payday loan. The obvious conclusion is that most payday loan customers know the dollar cost of their loans. They do not know the annualized interest rate on the loans.

Do Payday Loans Entrap Borrowers?

People strongly disagree over whether or not payday lending provides a useful service for most customers. Defenders of the industry argue that payday lenders provide a form of short-term emergency liquidity insurance to people who have no better alternatives. They cite hypothetical situations to make their point. Imagine the case of someone who has no savings and, because of an impaired credit history, no quick access to credit from a mainstream lender. Suppose this person's car breaks down and she might lose her job if she cannot get it repaired quickly. It is perfectly reasonable for her to pay $40 to take out a two-week $200 loan to fix the car rather than lose her job, write checks that bounce, or incur late payment fees on a variety of other bills. If this individual were to face such situations numerous times over the course of a year and turn to a payday lender each time, then the service is all the more important.

Table 4.
Payday Loan Customers' Reports on the Cost of Their Loans (Elliehausen & Lawrence, 2001)

	% among surveyed payday loan customers
Reported finance charge per $100 advance for most recent loan or renewal	
Less than $10	4.1%
$10 to $11	6.5%
$12 to $14	9.4%
$15 to $19	49.8%
$20 to $24	20.0%
$25 or more	6.0%
Don't know	4.3%
Remember that the lender provided information on the APR of the loan	78.0%
Don't know APR on most recent loan	72.0%
Among those claiming to know approximate APR on most recent loan, stated amount	
Less than 30%	40.8%
30 to 199%	15.8%
200 to 399%	20.8%
400 to 599%	18.3%
600% or higher	4.2%

Payday lenders acknowledge that their loans appear to be outrageously expensive when stated in terms of the annual percentage rate. But they argue that this is misleading because the payday advances are intended to be very short-term loans. To clarify this point, payday lenders commonly make the following analogy. Many people in urban areas occasionally take taxi trips, thinking that the benefit of the service is worth the price. Suppose a new law required taxis to post their prices based on the cost of a one-thousand-mile taxi trip. The posted price would make taxis appear to be an outrageously expensive form of transportation. But this would be misleading since taxi prices are set on the assumption that people will use them only for short local trips.

Critics of payday lending argue that most customers do not use payday loans as an occasional short-term emergency source of credit. Rather, they argue that, whatever their initial intent, many customers become very frequent users of the loans. They may borrow once to meet an unexpected emergency or perhaps because of cash shortfalls caused by careless budgeting. In many cases, however, when the next pay period comes they face a difficult choice. They can use their available cash to repay the loan. If they do, given the very limited amount of their incomes available for discretionary expenditures, they are likely to run short of funds before the next pay period and they will have to return to the payday lender to seek a new payday advance. Alternatively, they can simply pay the finance charge in cash and extend term of the loan until their next pay period, i.e. "rollover" the loan. Under either approach, when the next pay period arrives they will likely face the same set of choices. In this way, a short-term emergency loan becomes either a medium-term loan through a series of rollovers or it becomes a series of briefly interrupted short-term loans.

The payday loan critics allege that such an outcome is almost inherent to the design of the product. They argue that people who use payday loans have moderate incomes, almost all of which goes to necessities and the service of previous debts. If a person in this situation has car trouble and she must obtain a $200 loan to repair it, she is unlikely to be able to repay the loan plus finance charges out of one paycheck. Rather, she would need to repay the principal in small amounts out of a series of future paychecks. But since payday loans are structured as "balloon" payments, where all of the principal is repaid at once, they do not facilitate this process. In theory, she could pay down the principal in a small number of renewals, paying the finance charge as well as a significant share of the principal with each renewal. But if she were to renew more than once or twice, she would quickly pay almost as much or more in finance charges as she borrowed in principal. In addition, the critics argue, it is unrealistic to expect a borrower to repay the principal in just one or two installments given the substantial bite the finance charge alone takes out of most borrowers' limited discretionary income.[x] Thus, the critics view payday loans as providing short-term help, but frequently at the cost of entrapping the borrower in a long-series of costly debt payments.

While advocates for the industry and its critics disagree about the benefits of payday loans, the data clearly indicate that most loan customers are frequent users of the product. Because customers can borrow from different payday lenders over time, the records of any one lender may underestimate the number of times that an individual customer borrows. Nevertheless, data available from individual lenders indicate that many of their customers borrow frequently.

The North Carolina Office of the Commissioner of Banking, the agency responsible for the oversight of payday lenders in that state, required each loan office to report the number of customers over the course of 1999 who took out payday loans one time, two times, three times, etc. In total, the lenders reported data on 419,601 customers. As shown in Table 5, almost 35% of the customers of a typical payday lender in the state had more than ten payday loan transactions with that lender in 1999. Somewhat more than 50% of the customers of a typical payday loan office had more than 7 transactions.

Table 5.
Frequency of Customer Use of Payday Loans at North Carolina Loan Offices (North Carolina Office of the Commissioner of Banking, 2001)

Customer Usage in 1999	% of Customers
1 to 3 times	29.7%
4 to 10 times	36.0%
11 to 14 times	12.5%
15 to 18 times	7.9%
19 or more times	14.1%
Total	100.0%

Data from three other states provide additional evidence that most payday loan customers are frequent users of the service. In 1999, the Indiana Department of Financial Institutions (2000) examined the loan files 1,434 customers of 36 payday loan offices. It found that the average customer took out 11.9 loans over the previous 12 months. Over 90% of the customers renewed a loan at least once. The typical customer had 10 loan renewals, not necessary in sequence, over the course of the year.

In the summer of 1999, the Illinois Department of Financial Institutions collected data on the loan transactions of 340 randomly selected customers at 32 payday loan offices in the state (Woodstock Institute, 2000). The offices had been open for more than one year but less than two. For each customer, examiners from the Department recorded all of the loan transactions between that customer and the loan office. The Department found that 18% of the customers had three or fewer loan contracts, 52% had more than 10 transactions, and 21% had more than 20. The average number of contracts per borrower was 12.6.

In the fall of 2000, examiners from the State of Wisconsin's Department of Financial Institutions collected data from 17 payday loan offices located in the state. At each of the offices, the Department attempted to gather information from 20 randomly selected active loan files and from 5 closed loan files. It asked the lenders to provide a history of all transactions for the selected borrowers over the previous year. The active loan files were outstanding loans that were not in arrears at the time of the examination. The closed loan files were loans that matured prior to the time of the examination; whether these loans were paid off in full was not specified. In some cases, the closed loan files included loans that fell due only within the month previous to the examination. In cleaning the data, the Department eliminated the data from three lenders because these lenders were too young to have data going back a full year. Not all of the lenders provided data on 25 clients, so the Department's report was based on data from 321 clients of 14 firms (Wisconsin Department of Financial Institutions, 2001).

After eliminating all information that could possibly identify a particular lender or borrower, the Department provided its raw data to me. After cleaning it for consistency and completeness, I retained the records for 322 loan clients, 283 with active accounts and 39 with closed accounts. I am unsure why the Department's analysis was based on 321 clients and my own on 322, but my own estimates using the data are nearly identical to those in the Department's report. Here I report my own estimates since they include information beyond that included in the Department's report.

The 322 loan customers had a total of 3,832 reported loan transactions (originations or renewals), or about 11.9 each. The average term for the loan originations and renewals was 14 days; nearly 90% were for between 12 and 16 days. The average cash advance was $245.03 and the average finance charge was $49.37, implying an average APR of 528%. Table 6 shows the distribution of the customers by number of loan transactions. The distribution looks broadly similar to that reported for Illinois and North Carolina. About 26% of the clients had fewer than six transactions over the previous year and 18% had more than 20 loan transactions. The greatest number of loan transactions entered into by one person over a year was 30.

If one is not careful, the data in such tables can be misleading. As noted earlier, 283 (88%) of the borrowers in the data set had active accounts at the time of the data collection. What is not shown in the table is that 16% of the active borrowers took out their first loan from the payday lender within only two months prior to the examination date. Another 61% of the active borrowers initiated their first loan between two and six months prior to the examination date. These relatively new customers are bound to take out fewer loans over the previous year. Thus, the borrowers in the first category of Table 6, those taking out five or fewer loans over the previous year are primarily short-term customers, not long-term customers who borrowed infrequently.[z] In fact, of the 127 customers in the data set who were customers at least once 10 months or more prior to their most recent loan, only four took out 5 or fewer loans over the course of the year. But 56 (44%) of these long-term customers had more than 20 loan transactions.

Table 6.
Distribution of Wisconsin Payday Loan Customers by Number of Transactions

Number of loans per borrower within previous year	% of borrowers in category
1 to 5	26.1%
6 to 10	24.5%
11 to 15	18.0%
16 to 20	13.4%
21 to 25	12.1%
More than 25	5.9%

The Department's data permit an examination of patterns with respect to loan renewals. In its report, the Department defined a renewal to include rollovers (customers pay the finance charge at or before maturity and the lender extends the term of the loan) and same-day advances (customers take out a new loan on the same day that they pay off an old loan). Of the 322 customers, 20.2% never renewed a loan in the relevant time period, 38.5% had four or more sequential renewals, and 15.5% had 7 or more sequential renewals. In 66% of the renewal transactions, the outstanding principal balance stayed the same. In 21%, the outstanding principal balance decreased and in 13% it increased.

As in the previous case, these data on renewals can be somewhat misleading. First, customers who started to borrow only one or two months prior to the examination date have not had enough time to accumulate many renewals. If we limit the analysis to customers who took out at least one loan ten or more months prior to their most recent loan, the results are very different. Among these 127 customers, 8.7% never renewed a loan, 40.1% had four or more sequential renewals, and 17.4% had seven or more sequential renewals. Second, as noted earlier, some customers consistently repay their loans on the due dates but take out new loans prior to their next payday, remaining out of debt only a few days between paydays. Out of the 3,832 transactions by the 322 customers, 53% were rollovers or same-day advances. But an additional 26% were loan originations made within one to 13 days of the termination of the previous loan.

The advantage of the data analyzed above is that they come from the official records of the payday loan offices themselves and do not rely upon the memory of customers. A disadvantage is that they underestimate the number of transactions among customers who patronize more than one loan office in the relevant time period. (As indicated below, available data indicate that about half of payday loan customers borrow from more than one lender over the course of a year.) In order to overcome this problem, one would have to combine data from all loan offices in a region --- a challenging task for state oversight agencies --- or obtain the information from customer surveys. The danger with the second approach, of course, is that one may not reach a representative sample of customers, the customers may not remember how many loans they originated or renewed, or they may misrepresent the numbers that they do remember.

The Credit Research Center telephone survey of payday loan customers asked them about their use of different payday advance companies within the previous year.[A] As shown in Table 7, about half of the customers reported using more than one payday loan firm in the previous year and 6% reported using four or more. About 17% said that they used a loan from one company to pay off another company.

The CRC survey also asked customers about the frequency with which they used payday loans over the previous year. As Elliehausen and Lawrence (2001) report, 48% of the customers reported that they had entered into seven or more loan transactions during the previous year and 22.5% reported 14 or more. Three quarters of the borrowers reported that they renewed a loan at least once; 29% reported seven or more renewals. 57% of the borrowers reported that their longest sequence of consecutive advances was less than four weeks, 33% reported consecutive advances of seven weeks or more, and 10% reported that their longest consecutive loan sequence was 14 weeks or more.

Table 7.
Use of Different Payday Loan Companies within Previous Year

	% of surveyed payday loan customers
Used more than one company in the past year	47.0%
Number of companies used	
Two	30.0%
Three	11.1%
Four or more	5.9%
Paid off one company with the loan proceeds from another company	16.5%

From Elliehausen and Lawrence (2001).

Despite the diversity of contexts and sources for the data on the use of payday loans, there is a general consistency in the findings. All of the studies find that 50 to 80% of payday loan customers entered into seven or more loan transactions over the course of a year and 20 to 30% of the customers entered into 14 or more. In addition, two of the studies examine the prevalence of uninterrupted sequences of loans. The Wisconsin Department of Financial Institutions found that 38.5% of customers renewed a loan more than three times in a row. Since this would typically mean that the customer would remain in debt to the payday lender for about eight weeks or more, this finding roughly agrees with the data from the Credit Research Center. As noted above, in the CRC survey 33% of the borrowers reported that their longest period of consecutive advances was seven weeks or more.

As discussed earlier, such statistics on the frequency of use of payday loans are usually biased downwards. In selecting a group of payday loan customers and tracking their transactions over the previous year, one necessarily includes very recent customers who cannot have had many transactions or renewals. As the data from Wisconsin suggest, a large share of the customers who used payday loans only a small number of times consists of clients for whom there is only a short time period of data --- not long-term customers who use payday loans infrequently.

Summary and Conclusions

The data reviewed in this paper indicate that most payday loan customers are from moderate income households. Many have likely reached their credit limit with mainstream lenders or they have credit histories that exclude them from mainstream credit. They borrow from payday lenders because they believe that these lenders are their best short-run option, and they especially value the speed and ease of the loan transaction. The data also indicate that many payday loan customers are frequent customers who may be trapped in a persistent and costly debt cycle. Over 40% of the longer-term payday loan customers in Wisconsin, for example, had 20 or more loan transactions over the course of a year. Assuming that they borrowed the average amount for Wisconsin customers ($245) and that they paid an average finance charge ($49) with each transaction, these customers would have each spent at least $980 in finance charges in order to keep a $245 loan outstanding for most of a year.

This study leaves three major questions unresolved which, in some cases, future research may be able to answer. First, is it possible for financial institutions, without subsidies, to provide small-value loans to payday loan customers at significantly lower costs than do traditional payday lenders? For reasons discussed in the paper, I believe that this is unlikely, but future research could prove me wrong. If the high cost of payday loans is largely due to persistent excess profits, then a credit union, for example, should be able to cover its costs while offering a similar loan with much lower finance charges to payday loan customers. If, however, credit unions cannot provide similar services to current payday loan customers at a markedly lower cost, any regulatory changes that would force payday lenders to lower their finance charges significantly would kill the industry.

Whether of not the death of payday lending would be good or bad depends on the answer to the second unresolved question: would most payday loan customers be better off if they did not have access to payday loans? This is an important question but, unfortunately, I cannot imagine how future research can provide a definitive answer. Answering it would require subjective judgments about the budgeting choices of payday loan customers and about their well-being in alternative states of the world. Nevertheless, almost anyone would agree that payday loan customers would be better off if they had the savings or credit histories that would enable them to avoid borrowing, or permit them to borrow from lower-cost lenders.

This observation leads to the third unresolved question: could financial counseling help payday loan customers build savings or improve credit histories so that they would no longer need small emergency loans, or could turn to lower-cost mainstream lenders? In principal, future research should be able to answer this question. One can imagine, for example, a research project that begins by identifying a large number of payday loan customers, or people with characteristics similar to customers. The researcher would then randomly assign half of the individuals to a "treatment" group. Members of this group would receive counseling on good personal budgeting practices, on how to addressing past credit problems, etc. The other half of the identified population, the "control" group, would not receive counseling services. A year or two later, the researcher could survey members of the treatment and control groups about their use of payday loans, or the researcher might obtain third-party indicators, such as credit scores, of their eligibility for mainstream credit. Any statistically significant differences between the treatment and control groups would indicate the effectiveness of the financial counseling. One can also imagine less rigorous methods for assessing the effectiveness of financial counseling that might provide reasonably reliable results. In my view, efforts to assess rigorously the degree to which financial counseling can help moderate income households build savings and address past credit problems should be a priority for future research.

Endnotes

a. *Payday lending goes by a variety of names, including payday advance lending, deferred deposit, and postdated check loans.*

b. *My description of the structural details of payday loans is based on information from interviews with payday lenders and sample loan contracts, and it is consistent with the description in Fox and Mierzwinski (2001).*

c. *Fox and Mierzwinski (2001) provide an overview of state laws concerning payday lending.*

d. *ACE Cash Express, a publicly-held payday loan and check-cashing firm, uses a bank for its payday lending, partnering with Goleta National Bank in California. In its 10-K filing (ACE, 2001, p. 13), it explains, "Under the Goleta Agreement, the Company must purchase from Goleta a participation in all Bank Loans made on the previous day or previous days. That participation entitles the Company to substantially all of the interest received by Goleta from the borrowers, and subjects the Company to substantially all of the risk of nonpayment by the borrowers. The Company must pay Goleta a participation fee for Goleta's originating the Bank Loans."*

e. *Rather than write a personal check, some payday lenders have the borrower sign an agreement giving the lender the right to debit the borrower's account electronically at the maturity of the loan.*

f. *Some lenders provide the borrower with a check rather than cash. Others transfer funds electronically to the borrower's checking account or to a deposit account that the lender opens in the name of the borrower. In the latter case, the lender may issue an ATM/debit card to the borrower that is linked to that account.*

g. *In a 2001 survey of 235 payday loan offices in 20 states and the District of Columbia, Fox and Mierzwinski (2001) found that 30% of the offices charged $15 for each $100 they advanced, making this the most common charge. Less than 4% of the loan offices cited finance charges of less than $15 per $100 advance, the lowest fee reported in the was $10 per $100 advance. About 14% of the loan offices reported fees of over $20 per $100 advance.*

h. *Some lenders rebate a pro-rata share of the finance charge when borrowers repay their loan prior to maturity.*

i. *Four states require "cooling-off" periods between transactions. In Florida, for example, a borrower who repays a loan must wait 24 hours before taking out a new loan.*

j. *According to the list of "best practices" for members of a trade association for the payday advance industry (Community Financial Services Association of America, 2001) in states where rollovers are permitted, "…a member will limit rollovers to four or the State limit, whichever is less." The CFSA is only a few years old. The CFSA list of best practices does not discuss same-day advances. The organization's largest members are "monoline" firms that only make payday loans. Several large "multi-product" firms that offer payday loans through check-cashing outlets and many small independent payday lenders are not members of the CFSA.*

k. *If the borrower fails to pay the NSF charges, the bank may report her to "ChexSystem," a business that maintains records of individuals' deposit account management histories. Since most banks subscribe to this service, an adverse report with ChekSystem can make it difficult for someone to open an account at another bank.*

l. *In states where it is permitted, some payday lenders seek civil damages that exceed the face value of the check when borrowers' checks are returned unpaid. In addition, some payday lenders have told borrowers in default that they will ask law enforcement agencies to prosecute the borrowers for writing bad checks. Plaintiffs' lawyers have successfully sued several of these lenders, however, by arguing that default on a loan is purely a civil matter. They argue that the borrowers wrote checks to repay their loans at the same time as they received cash advances merely because lenders insisted on this. The code of conduct of CFSA trade association of payday lenders states that its members "…will not threaten or pursue criminal action against a customer as a result of the customer's check being returned unpaid or the customer's account not being paid."*

m. *A lender could lower some of the cost-per-loan if it could conduct a very high volume of lending from one office. But because borrowers factor in transportation costs and convenience, they would probably select a somewhat more expensive local lender over a lower-cost distant lender. Thus payday lenders do not achieve the economies of scale necessary to reduce their cost-per-loan significantly. Some payday lenders offer loans over the Internet and do not maintain local offices. They function by debiting and crediting a borrower's checking account electronically. My own informal review of their posted finance charges indicates that they are not less expensive than payday lenders with local offices. Indeed, many are more expensive. My guess is that is that loss rates on Internet payday loans are higher than those on loans made from local offices.*

n. *ACE Cash Express (2001), whose stores both cash paychecks for a fee and make payday loans, reported that the average annual operating costs for one of its stores in fiscal year 2000 was $146,100. About 36% of this cost comes from employee compensation, 18% from occupancy costs, and 17% from loan loss provisions. Unfortunately, audited expense reports are not publicly available for monoline payday lenders but presumably their per-store costs are somewhat lower. Industry insiders have told me that a typical mature monoline store makes about 4,000 advances or renewals a year, with much variation around this average. Assuming that the average cash advance is $250 with an average finance charge of $45, this implies per store annual revenues of $180,000.*

o. *Reporting losses from uncollected payments as a fraction of loan originations can be misleading. Consider a lender who advances $100 for two weeks in exchange for a $120 check. Imagine that the borrower renews this loan five times, paying $20 in cash each time. The sixth time the loan falls due the lender deposits the check and it is returned unpaid. If the lender can never collect on the check, he will write-off $120 as a loss. Although the reported loss exceeds the $100 loan, what the lender collected in finance charges ($100) equals the loan amount. In addition, the difference between a renewal and an origination is often blurred. Many payday lenders allow a borrower to pay a fee to rollover a loan or permit a borrower to repay one loan and then take out a new one the same day or a few days afterwards. Although the second set of transactions may count as two originations, it can function as a renewal.*

p. *In 1999, North Carolina permitted payday lenders to charge $17.65 per $100 advance. The maximum cash advance permitted under the law was approximately $255.*

q. *As noted earlier, ACE does not technically make the loans. Rather, ACE processes the loan applications and Goleta National Bank decides whether or not to make the loans. If Goleta makes the loan, ACE immediately buys a substantial participation in the loan. ACE monitors the loan performance and works to ensure the repayment of the loan.*

r. *Reported loan losses are not a simple indication of the risks in payday lending. A lender can reduce defaults by staying in close personal contact with borrowers, reminding them of the costs associated with default when necessary, and promoting the various ways that default can be avoided. In other words, a moderate level of loan losses may not mean that payday lending is only moderately risky. It may simply mean significant effort and expense goes into reducing the risk.*

s. *The Annual Report of the Tennessee Department of Financial Institutions (2000) provides summary information from the unaudited data the Department gathered from 358 payday loan companies operating 846 branch offices in the state. The Report indicates that over the course of the Department's fiscal year, these firms originated or renewed about 2.5 million loans. According to the Department, "As of June 30, 2000, the industry made a return on assets of 14.8% based on total assets and a return on equity of 20.6%." However, given the lack of standardized accounting procedures for the firms, these numbers could be significantly biased in either direction.*

t. *One lender told me that between 1996 and 2001, there was a ten-fold increase in the number of payday loan stores operating in his city. He said that several of his competitors had told him that "…because of heightened competition, their volume is less than half what it was a few years ago."*

u. *Payday loan customers in general may have somewhat lower household incomes than those indicated by the Credit Research Center survey. It is reasonable to think that the CRC survey reached customers who have more stable residential patterns, and these may be higher-income customers. In addition, the CRC drew its customer list from members of the CFSA, which is dominated by monoline payday lenders. Several payday lenders have told me that customers who obtain their loans at check-cashing outlets (CCOs) have on average somewhat lower household incomes than do those who patronize monoline payday loan stores.*

v. *Based on responses from January 2000 Survey of Consumer Attitudes as reported by Elliehausen and Lawrence (2001).*

w. *According to a recent PIRG survey of 521 banks across the country, fees that banks charge their customers who write checks that bounce average between $26 for "big" banks and $22 for "small banks (Mierzwinski, Butler, Harnik & Keran, 2001). In addition, some banks increase bounced check fees and, by processing the highest value checks first, make it more likely that a customer will bounce several small-value checks rather than one large-value check (Brooks, 1999).*

x. *Based on data in the January 2000 Survey of Consumer Attitudes as reported by Elliehausen and Lawrence (2001).*

y. *Data from payday lenders in Wisconsin indicate that, in 79% of 1,947 loan renewals, the outstanding principal either stayed the same or increased. In 21% of the renewals, the outstanding principal decreased.*

z. *Similar problems arise with respect to the closed accounts. In several cases, data on these accounts did not go back one year but, rather, one year from the date of the examination. Thus, if the examination was in November of 2000 and the account closed in March of 2000, data on the account may only be available for November 1999 through March 2000.*

A. *To be clear, the survey should have asked about use of multiple offices since sometimes the same company operates more than one office in a region. It seems likely, however, that most respondents would understand "company" to mean "office."*

References

ACE Cash Express. (2001). 10-K filing with the Securities and Exchange Commission [WWW document] URL http://www.sec.gov/Archives/edgar/data/849116/000095013401506874/0000950134-01-506874- index.htm

Brooks, R. (1999). How banks make the most of bounced checks. *Wall Street Journal*, February 25. p. B1.

Caskey, J. P. (1994). *Fringe Banking: Check-Cashing Outlets, Pawnshops, and the Poor*. New York: Russell Sage Foundation.

Colorado Supervised Lenders Annual Report. (2000). Deferred deposit lenders [WWW document] URL www.ago.state.co.us/UCCC/annrep/pdannrep.htm

Community Financial Services Association. (2001). Best practices for the payday advance industry. [WWW document] URL http://www.cfsa.net/ pressreleases /bestpractices-pr.html

Elliehausen, G. & Lawrence E. (2001). *Payday Advance Credit in America: An Analysis of Customer Demand*. Monograph #35, Credit Research Center, McDonough School of Business, Georgetown University.

Fox, J. A. & Mierzwinski, E. (2000). Show me the money! A survey of payday lenders and review of payday lender lobbying in state legislatures. Report issued by the Consumer Federation of America and the U.S. Public Interest Research Group. [WWW document] URL http://www.pirg.org/ reports /consumer/payday/index.html

Fox, J. A. & Mierzwinski, E. (2001). Rent-a-bank payday lending: How banks help payday lenders evade state consumer protections. Report issued by the Consumer Federation of America and the U.S. Public Interest Research Group. [WWW document] URL http://www.pirg.org/reports/consumer /payday/2001/Paydayreportnov13.PDF)

Illinois Department of Financial Institutions. (1999). Short term lending: Final report. [WWW document] URL http://www.state.il.us/dfi/ccd/Shorterm.pdf

Indiana Department of Financial Institutions. (2000) Summary of payday lender examination. Mimeo.

Mierzwinski, E., Butler, R., Harnik, A. & Keran, K. (2001). Big banks, bigger fees. Report issued by U.S. Public Interest Research Group. [WWW document] http://www.stopatmfees.com/bigbanks2001/ PDFs/banks2001final.PDF

North Carolina Office of the Commissioner of Banks. (2001, February 22). Report to the general assembly on payday lending. [WWW document] URL http://www.banking.state.nc.us/reports/ccfinal.pdf

Robinson, J. (2001). The deferred deposit industry payday advance product overview. Paper presented at the 2001 Financial Service Centers of America Meetings, San Diego.

Tennessee Department of Financial Institutions. (2000). Annual Report, Compliance Division. [WWW document] URL http://www.state.tn.us/financialinst/compliance.pdf

Wisconsin Department of Financial Institutions. (2001). *Review of payday lending in Wisconsin*. [WWW document] URL http://www.wdfi.org/_resources/ indexed/site/newsroom/press/ pyaday_loan_may_2001.pdf

Woodstock Institute. (2000). Unregulated payday lending pulls vulnerable consumers into spiraling debt. Reinvestment Alert, Number 14. [WWW document] URL http://www. woodstockinst.org/Alert.PDF

