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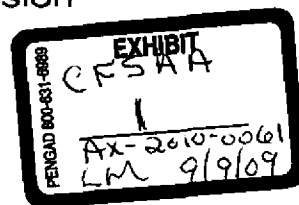
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Sept. 9, 2009

SEP 23 2009

Chairman Robert M. Clayton, III  
Public Service Commission  
The State of Missouri  
200 Madison St.  
P.O. Box 360  
Jefferson City, MO 65102

Missouri Public  
Service Commission



Dear Chairman,

In response to the Office of the Public Counsel's petition regarding billing and payment standards for Missouri utility consumers, we would like to submit information about our industry, our customers and our products and services.

The Community Financial Services Association (CFSA) was founded in 1999 to ensure consumer confidence in the short-term "payday" lending industry. CFSA member companies represent about 225 Missouri short-term loan centers.

CFSA members QC Holdings, Advance America and Check Into Cash are the largest providers of short-term "payday" loans in the state. All three companies serve as an agent for third parties that accept utility payments on behalf of a variety of utility companies. QC, for example, via its Western Union service, accepts payments for utility bills in about 85 of our 100 Missouri branches.

If it is the Public Counsel's opinion that Missouri consumers should pay no additional fees when making utility payments, we have no objection to this proposal. However, we strongly contest the unsupported opinion that payday loan stores are taking advantage of bill pay customers. As noted below, there is almost no overlap between bill pay customers and payday loan customers.

For all three companies, the offering of short-term loans and the accepting of utility bill payments are two entirely separate transactions that in no way are connected to each other. Very few utility payment customers take payday loans, and the average \$1 fee the lenders collect for each utility payment does not cover the costs of offering them.

Consumers typically use such services to pay their utility bills because they do not have checking accounts. Because payday loan customers are required to have checking accounts, there is almost no overlap among customers.

Short-term lenders offer utility bill-pay service as a convenience for consumers, at times upon the request of utilities themselves. Our service is sometimes the most convenient, efficient and cost-effective way for a utility customer to pay his or her bill, and many are using our service to avoid late payment and utility shut-off fees. They also avoid the costs associated with postage and money orders.

Independent research shows that – contrary to the Office of Public Counsel’s assertion – payday loans are not predatory and in fact serve as a valuable credit option for consumers facing more-onerous alternatives such as fees associated with bounced checks and late bill payments.

All short-term loan customers have jobs and bank accounts. Research shows that the majority has annual household incomes of between \$25,000 and \$50,000, with an average annual income of about \$40,000. About 58 percent have attended college, and one in five hold a bachelor’s degree. Many are teachers, nurses and other professionals.

Research also shows that these middle-income, educated, working families understand the costs associated with the product, appreciate having access to credit where otherwise there would be none, and use the product responsibly – as a short-term solution to unplanned, unbudgeted financial challenges.

A January 2007 report by the Federal Reserve Bank of New York found that payday loans are not predatory, and – by increasing the supply of credit to an underserved market – they actually enhance the welfare of the households they serve. (Please see attached research summary: “Defining and Detecting Predatory Lending,” by Federal Reserve Bank of New York Research Officer Donald P. Morgan)

Other studies have found that households are better off with access to payday loans, and that bans on payday loans hurt consumers by increasing not only the cost of credit, but also instances of bounced check fees and personal bankruptcies. (Please see attach research summary.)

Short-term, “payday” loans each year help thousands of Missouri families overcome unexpected financial circumstances and avoid more-expensive fees and options that may hurt their credit rating and potentially their access to employment, housing, insurance and other credit options.

While offering utility bill-payment service is not a significant source of revenue or profit, short-term lenders would like the Commission to take this information under consideration as you evaluate the Office of Public Counsel’s petition. Do not hesitate to contact QC Holdings Regional Vice President Scott Smith or myself if you have further questions.

Sincerely,

A handwritten signature in black ink that reads "Matt Wiltanger". The signature is written in a cursive, flowing style.

Matt Wiltanger  
Vice President – General Counsel

## **CATALOG OF RESEARCH ON PAYDAY LENDING AND SHORT-TERM CREDIT**

### **➤ INDEPENDENT RESEARCH**

#### **THE CASE AGAINST NEW RESTRICTIONS ON PAYDAY LENDING**

Todd J. Zywicki, Mercatus Center, George Mason University, July 2009

#### **"FDIC SURVEY OF BANKS' EFFORTS TO SERVE THE UNBANKED AND UNDERBANKED"**

Federal Deposit Insurance Corporation, February 2009

#### **"CHANGES IN U.S. FAMILY FINANCES FROM 2004 to 2007: EVIDENCE FROM THE SURVEY OF CONSUMER FINANCES"**

The Federal Reserve Board, February 2009

#### **"AN ANALYSIS OF CONSUMERS' USE OF PAYDAY LOANS"**

Gregory Elliehausen, Division of Research and Statistics, Board of Governors of the Federal Reserve System and Financial Services Research Program, The George Washington University School of Business, February 2009

#### **"FDIC STUDY OF BANK OVERDRAFT PROGRAMS"**

Federal Deposit Insurance Corporation, November 2008

#### **"RESTRICTION ON CREDIT: A PUBLIC POLICY ANALYSIS OF PAYDAY LENDING"**

Petru S. Stoianovici of The Brattle Group and Michael T. Maloney, PhD of Clemson University, October 2008

#### **"RESTRICTING CONSUMER CREDIT ACCESS: HOUSEHOLD SURVEY EVIDENCE ON EFFECTS AROUND THE OREGON RATE CAP"**

Jonathan Zinman, Dartmouth College, October 2008

#### **"ENABLING FAMILIES TO WEATHER EMERGENCIES AND DEVELOP THE ROLE OF ASSETS"**

Signe-Mary McKernan and Caroline Ratcliffe, Urban Institute, July 2008

#### **"PAYDAY LENDING: THE CREDIT UNION WAY"**

The Credit Union National Association Lending Council & National Credit Union Foundation/REAL Solutions®, May 2008

#### **"RESTRICTIONS ON PAYDAY LOANS DO MORE HARM THAN GOOD"**

Researchers at George Mason University and Colby College, February 2008

#### **"PAYDAY HOLIDAY: HOW HOUSEHOLDS FARE AFTER PAYDAY CREDIT BANS"**

Federal Reserve Bank of New York Research Officer Donald P. Morgan and  
Cornell University graduate student Michael R. Strain, November 2007

**"NORTH CAROLINA AFTER PAYDAY"**

University of North Carolina Center for Community Capital, November 2007

**"EXPANDING CREDIT ACCESS: USING RANDOMIZED SUPPLY  
DECISIONS TO ESTIMATE THE IMPACTS"**

Dean Karlan, Yale University, and Jonathan Zinman, Dartmouth College, July  
2007

**"PAYDAY LENDERS: HEROS OR VILLANS?"**

Adair Morse, University of Chicago, June 2007

**"PAYDAY LENDING: DO OUTRAGEOUS PRICES NECESSARILY MEAN  
OUTRAGEOUS PROFITS?"**

Aaron Huckstep, Fordham Journal of Corporate & Financial Law, January 2007

**"DEFINING AND DETECTING PREDATORY LENDING"**

Donald P. Morgan, Federal Reserve Bank of New York, January 2007

**"WHITE PAPER ANALYSIS: REPORT: FINANCIAL QUICKSAND: PAYDAY  
LENDING SINKS BORROWERS IN DEBT WITH \$4.2 BILLION IN  
PREDATORY FEES EVERY YEAR"**

Veritec, January 2007

**"PAYDAY LENDING AND PUBLIC POLICY: WHAT ELECTED OFFICIALS  
SHOULD KNOW"**

Dr. Thomas Lehman, Indiana Wesleyan University, August 2006

**"PAYDAY LOAN ATTITUDES AND USAGE AMONG ENLISTED MILITARY  
PERSONNEL"**

Professors William Brown of The University of North Carolina - Greensboro and  
Charles Cushman of The George Washington University, July 2006

**"COMPENSATION AND SHORT-TERM CREDIT NEEDS OF U.S. MILITARY  
ENLISTED PERSONNEL"**

Professors William Brown of The University of North Carolina - Greensboro and  
Charles Cushman of The George Washington University, April 2006

**A Critique of "RACE MATTERS: THE CONCENTRATION OF PAYDAY  
LENDERS IN AFRICAN-AMERICAN NEIGHBORHOODS IN NORTH  
CAROLINA"**

Dr. Thomas Lehman, Indiana Wesleyan University, February 2006

**"CONTRASTING PAYDAY LOANS TO BOUNCED CHECK FEES"**

Dr. Thomas Lehman, Indiana Wesleyan University, June 2005

**"PAYDAY LENDING: DO THE COSTS JUSTIFY THE PRICE?"**

Mark Flannery & Katherine Samolyk, FDIC Center for Financial Research, April 2005

**"LOW-COST PAYDAY LOANS: OPPORTUNITIES AND OBSTACLES"**

Sheila Bair, Prepared for the Annie E. Casey Foundation, June 2005

**"PAYDAY LENDING: A PRACTICAL OVERVIEW OF A GROWING COMPONENT OF AMERICA'S ECONOMY"**

Consumer Credit Research Foundation, December 2004

**"REGULATION AND SELF-POLICING WILL INFLUENCE CONSUMERS ACCESS TO PAYDAY LOANS"**

Washington Legal Foundation, Legal Backgrounder, Vol. 18, No. 49  
Charles M. Horn, November 14, 2003

**"PAYDAY ADVANCE CREDIT IN AMERICA: AN ANALYSIS OF CUSTOMER DEMAND"**

The Credit Research Center McDonough School of Business Georgetown University, 2001

➤ **ADDITIONAL RESEARCH**

**"Economic Impact of the Payday Lending Industry"**

HIS Global Insight (USA) Inc., May 2009

**"2008 Fee Analysis of Bank and Credit Union Non-Sufficient Funds and Overdraft Protection Programs"**

Bretton Woods, Inc., Jan 2009

**"National Data On Short-Term Credit Alternatives"**

CFSA, 2006

**"Payday Loan Use Among Active Military"**

Penn, Schoen & Berland Associates, Inc., January 2005

**"Arizona Payday Advance Customer Study"**

Cypress Research Group, December 2005

**"Payday Advance Pennsylvania Customer Survey"**

Cypress Research Group, 2005

**"National Payday Advance Customer Satisfaction Survey"**

Cypress Research Group, 2004

**"North Carolina Payday Advance Customer Study"** Io Data Corporation,  
September 2002

**"Illinois Payday Advance Customer Study"** Io Data Corporation, September  
2002

**"California Payday Advance Customer Study"** Io Data Corporation,  
September 2002

**"Payday Advance: A Cost Effective Alternative"** CFSA, 2002

## INDEPENDENT RESEARCH

### THE CASE AGAINST NEW RESTRICTIONS ON PAYDAY LENDING

Todd J. Zywicki, Mercatus Center, George Mason University, July 2009

In the study *The Case Against New Restrictions on Payday Lending*, Todd J. Zywicki of George Mason University's Mercatus Center concludes that "Economic theory and empirical evidence strongly suggest that... paternalistic regulations would make consumers worse off, stifle competition, and do little to protect consumers from concerns of over indebtedness and high-cost lending."

- CFSA Highlights: [http://www.cfsa.net/zywicki\\_gmu.html](http://www.cfsa.net/zywicki_gmu.html)
- Full Study: <http://mercatus.org/PublicationDetails.aspx?id=27570>

### "FDIC SURVEY OF BANKS' EFFORTS TO SERVE THE UNBANKED AND UNDERBANKED"

Federal Deposit Insurance Corporation, February 2009

In an effort to identify and quantify the extent to which insured banks outreach, serve, and meet the banking needs of unbanked and underbanked households, the *FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked* looks at the basic banking and other financial services currently being offered by banks. The survey finds that while banks are aware of significant unbanked and underbanked populations in their market areas, the efforts to serve those customers have been minimal.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_FDIC\\_Unbanked\\_Underbanked.pdf](http://www.cfsa.net/downloads/Highlights_FDIC_Unbanked_Underbanked.pdf)
- Full study available at <http://www.fdic.gov/unbankedsurveys/>

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### "CHANGES IN U.S. FAMILY FINANCES FROM 2004 to 2007: EVIDENCE FROM THE SURVEY OF CONSUMER FINANCES"

The Federal Reserve Board, February 2009

The survey, for the first time, collected information on whether a family member had taken out a payday loan in the past year. They defined payday loans as a loan "that was supposed to be repaid in full out of that person's next paycheck."

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_FRB\\_Family\\_Finance\\_Survey.pdf](http://www.cfsa.net/downloads/Highlights_FRB_Family_Finance_Survey.pdf)
- Full survey results available at  
<http://www.federalreserve.gov/pubs/bulletin/2009/pdf/scf09.pdf>.

Updated 4/23/2009

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### **"AN ANALYSIS OF CONSUMERS' USE OF PAYDAY LOANS"**

Gregory Elliehausen, Division of Research and Statistics, Board of Governors of the Federal Reserve System and Financial Services Research Program, The George Washington University School of Business, February 2009

The monograph notes that only 2% of U.S. adults use payday loans at any one time and provides a detailed picture of the typical payday loan customer, including who they are (age, income, education, savings history, credit access), how they use the service and their decision-making process.

Elliehausen finds that customers use payday loans moderately, as intended for short-term use; are aware of the cost of their most recent payday loan; consider the alternatives, are satisfied with their decision; and benefit by having access to payday loans.

- CFSA Highlights  
[http://www.cfsa.net/downloads/highlights\\_elliehausen\\_consumer\\_use.pdf](http://www.cfsa.net/downloads/highlights_elliehausen_consumer_use.pdf)
  - Full Monograph  
<http://www.business.gwu.edu/research/centers/fsrp/pdf/m41.pdf>
- 

### **"FDIC STUDY OF BANK OVERDRAFT PROGRAMS"**

Federal Deposit Insurance Corporation, November 2008

The study analyzes the types, characteristics and use of overdraft programs offered by FDIC-supervised banks. The study looks at these programs, their features, the fees imposed, and consumer usage patterns, including the characteristics of customer accounts that tend to incur the highest volume of overdraft fees.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_FDIC\\_Bank\\_Overdraft\\_Programs.pdf](http://www.cfsa.net/downloads/Highlights_FDIC_Bank_Overdraft_Programs.pdf)
  - CFSA Comparison of payday lending and FDIC bank programs  
[http://www.cfsa.net/downloads/ODP\\_and\\_PDL\\_comparison.pdf](http://www.cfsa.net/downloads/ODP_and_PDL_comparison.pdf)
  - Full Study <http://www.fdic.gov/bank/analytical/overdraft/>
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### **"RESTRICTION ON CREDIT: A PUBLIC POLICY ANALYSIS OF PAYDAY LENDING"**

Petru S. Stoianovici of The Brattle Group and Michael T. Maloney, PhD of Clemson University, October 2008



The study investigates the relationship between payday lending and personal bankruptcy filings. They find "no empirical evidence that payday lending leads to more bankruptcy filings," and cast further doubt on the so-called "cycle of debt" argument used by industry critics. In sum, they conclude that restrictions on the industry hurt consumers by driving up fees and that banning the industry entirely reduces access to much needed credit.

- CFSA Highlights  
[http://www.cfsa.net/downloads/highlights\\_maloney\\_stoianovici.pdf](http://www.cfsa.net/downloads/highlights_maloney_stoianovici.pdf)
  - Full Study [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1291278](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1291278).
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### **"RESTRICTING CONSUMER CREDIT ACCESS: HOUSEHOLD SURVEY EVIDENCE ON EFFECTS AROUND THE OREGON RATE CAP"**

Jonathan Zinman, Dartmouth College, October 2008

The study conducted by Dartmouth College Professor Jonathan Zinman concludes that consumers are harmed rather than helped when states eliminate forms of short-term credit.

The study surveyed 400 payday loan users in Oregon and Washington both before and after Oregon passed legislation capping the interest rate on payday loans, with Washington residents serving as the "control" group. Zinman found that the cap effectively limited the availability of payday loans. As a result, many Oregon consumers turned to more expensive forms of credit, including overdrafts and paying late fees. Oregon respondents with restricted access to payday loans were more likely to report a negative change in financial status, such as unemployment or a perceived worsening of their financial status. The study concludes that, in the short-term, restricting payday loan access harms consumers' financial health.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_Zinman\\_Dartmouth.pdf](http://www.cfsa.net/downloads/Highlights_Zinman_Dartmouth.pdf)
  - Consumer Credit Research Foundation Press Release  
<http://www.marketwatch.com/news/story/Payday-Loan-Rate-Cap-Oregon/story.aspx?guid={8A64D199-2B2E-4F5D-969B-5F61095B63E8}>
  - Full Study  
[http://www.dartmouth.edu/~jzinman/Papers/Zinman\\_RestrictingAccess\\_oct08.pdf](http://www.dartmouth.edu/~jzinman/Papers/Zinman_RestrictingAccess_oct08.pdf)
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### **"ENABLING FAMILIES TO WEATHER EMERGENCIES AND DEVELOP THE ROLE OF ASSETS"**

Signe-Mary McKernan and Caroline Ratcliffe, The Urban Institute, July 2008

A paper by the Urban Institute, finds that most low-income working families need access to small loans to help them weather bad patches. The paper poses the question, "Which asset-related policies would help low-income families the most?"

The authors conclude that policies should "make small short-term loan options more transparent and less costly but still available for consumers with few other alternatives." They write, "We do not recommend eliminating these loans, which could be replaced by alternatives that make families even worse off."

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_Urban\\_Institute.pdf](http://www.cfsa.net/downloads/Highlights_Urban_Institute.pdf)
  - Urban Institute Paper  
[http://www.urban.org/UploadedPDF/411734\\_enabling\\_families.pdf](http://www.urban.org/UploadedPDF/411734_enabling_families.pdf).
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#### **"PAYDAY LENDING: THE CREDIT UNION WAY"**

The Credit Union National Association Lending Council & National Credit Union Foundation/REAL Solutions @, May 2008

The white paper looks at the history of the payday loan product, customer demographics and offers guidance to credit unions who offer payday loan alternatives.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_NCUA.pdf](http://www.cfsa.net/downloads/Highlights_NCUA.pdf)
  - Full Whitepaper  
<http://www.ncuf.coop/media/REAL%20Solutions/NancyPierceCUNALendingCouncilPaydayLendingWhitePaperWithNCUFAndREALSolutions.pdf>.
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#### **"RESTRICTIONS ON PAYDAY LOANS DO MORE HARM THAN GOOD"**

Researchers at George Mason University and Colby College, February 2008

An experiment conducted by researchers at George Mason University and Colby College, concluded that payday loans, despite the cost, helped the participants manage their personal finances better and improved the welfare of borrowers.

The study used techniques of experimental economics by creating a laboratory environment similar to that faced by financially strapped consumers. They then conducted a controlled experiment using 318 subjects to examine the individuals' abilities to manage and to survive financial setbacks.

The study was conducted by Prof. Bart J. Wilson of the Interdisciplinary Center for Economic Science at George Mason University, Profs. David W. Findlay and James W. Meehan, Jr. of the Department of Economics of Colby College, and

Dr. Charissa P. Wellford, an independent economist. Karl Schurter, an undergraduate at the University of Virginia, is also a co-author of the study.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_George\\_Mason\\_Colby\\_Experiment.pdf](http://www.cfsa.net/downloads/Highlights_George_Mason_Colby_Experiment.pdf)
  - George Mason Press Release  
<http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=104&STORY=/www/story/02-06-2008/0004750649&EDATE=>
  - Full Study [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1083796](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1083796)
- 

### **"PAYDAY HOLIDAY: HOW HOUSEHOLDS FARE AFTER PAYDAY CREDIT BANS"**

Federal Reserve Bank of New York Research Officer Donald P. Morgan and Cornell University graduate student Michael R. Strain, November 2007

Preliminary findings conclude that payday loan bans result in increased credit problems for consumers.

The report compares households in states with payday loans with households in both Georgia and North Carolina, states which eliminated payday loans in May 2004 and December 2005 respectively. Households in Georgia and North Carolina bounced more checks, complained more to the Federal Trade Commission about lenders and debt collectors, and filed for Chapter 7 ("no asset") bankruptcy at a higher rate. These findings indicate that households without access to payday loans are forced to use costlier credit and suffer greater financial difficulties.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_FRBNY-Impact\\_of\\_%20Credit\\_%20Bans.pdf](http://www.cfsa.net/downloads/Highlights_FRBNY-Impact_of_%20Credit_%20Bans.pdf)
  - Full Report [http://www.newyorkfed.org/research/staff\\_reports/sr309.html](http://www.newyorkfed.org/research/staff_reports/sr309.html).
- 

### **"NORTH CAROLINA AFTER PAYDAY"**

University of North Carolina Center for Community Capital, November 2007

The survey looked at how North Carolina consumers fared without the option of payday loans.

Although the study concluded that consumers were better off without payday loans, this conclusion does not match the actual findings. In fact, respondents' answers to the survey clearly show that the elimination of payday loans in North Carolina did nothing about the demand and forced consumers to replace payday

loans with costly, less desirable and even dangerous options. The survey found that consumers most frequently "did not pay/paid late" [an expense] when faced with a financial crisis. Other frequently cited strategies were "bounced checks/used overdrafts" or "used credit card/cash advance." Some chose to forgo prescription medications or experienced damaged credit ratings.

It should also be noted that the majority of people surveyed had never used a payday loan or even experienced a financial hardship in the previous three years. Only 23 of the 401 surveyed were former payday loan customers. Of those, only five said that prohibiting payday lending has had a positive effect on their household. The remaining majority may have been better served by payday advances, which often offer lower fees and do not negatively impact credit ratings.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_UNC\\_Study.pdf](http://www.cfsa.net/downloads/Highlights_UNC_Study.pdf)
  - Full Survey  
[http://www.nccob.org/NR/rdonlyres/4BB13853-F3B0-48E2-9A2B-1A59177018CF/0/NC\\_After\\_Payday.pdf](http://www.nccob.org/NR/rdonlyres/4BB13853-F3B0-48E2-9A2B-1A59177018CF/0/NC_After_Payday.pdf)
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#### **"EXPANDING CREDIT ACCESS: USING RANDOMIZED SUPPLY DECISIONS TO ESTIMATE THE IMPACTS"**

Dean Karlan, Yale University, and Jonathan Zinman, Dartmouth College, July 2007

The study concludes that consumer lending benefits borrowers. Individuals taking high interest loans were less likely to be in poverty, less likely to be hungry or malnourished and less likely to have lost their jobs.

The study assessed the impact of high-risk loans on consumers by expanding high interest credit to rejected applicants in South Africa. The lender used in the study shared many characteristics with the American payday loan industry by offering small, high-interest, short-term, cash loans to the public.

Six to twelve months after taking the loan, borrowers experienced a wide range of beneficial outcomes. For example one-fifth spent money on their transportation which, among other things, allowed them to get to work and keep their jobs. Benefits such as these were long-term, indicating they were not the result of a "cycle of debt."

- CFSA Highlights  
[http://www.cfsa.net/downloads/highlights\\_zinman\\_karlan.pdf](http://www.cfsa.net/downloads/highlights_zinman_karlan.pdf)
- Full Study  
[http://www.dartmouth.edu/~jzinman/Papers/Karlan&Zinman\\_ExpandingCreditAccess\\_jun07.pdf](http://www.dartmouth.edu/~jzinman/Papers/Karlan&Zinman_ExpandingCreditAccess_jun07.pdf)

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### **"PAYDAY LENDERS: HEROS OR VILLANS?"**

Adair Morse, University of Chicago, June 2007

Working study by Adair Morse, University of Chicago, finds that the existence of payday lenders benefits communities struck by natural disasters. Morse concludes that these findings may be expanded to apply to individuals who experience disasters in their personal lives.

The study assessed the impact of payday lenders in communities which experienced a natural disaster by looking at four measures of community welfare: death rates; drug and alcohol treatment rates; foreclosure rates and birth rates. The existence of payday lenders increased community welfare for all four measures.

While financial institutions were beneficial to communities, banks and other forms of credit were no substitute for payday loan products. The study found that they did not provide finance to individuals in distress in the same manner as payday loans.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_Adair\\_Morse\\_Study.pdf](http://www.cfsa.net/downloads/Highlights_Adair_Morse_Study.pdf)
- Full Study  
<http://faculty.chicagogsb.edu/adair.morse/research/MorsepaydayJune07.pdf>

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### **"PAYDAY LENDING: DO OUTRAGEOUS PRICES NECESSARILY MEAN OUTRAGEOUS PROFITS?"**

Aaron Huckstep, Fordham Journal of Corporate & Financial Law, January 2007

The article, published in the Fordham Journal of Corporate & Financial Law, concludes payday lending fees do not deliver high profits to lenders and advises state legislators to "refrain from acting in haste" when enacting payday lending legislation.

The article supports the position that payday advance fees are in line with the high costs of operating a payday loan business. Calling for additional research, the author writes, "If more unbiased information were available, legislators would be presented with a true picture of both payday borrowers and the payday lending industry... This information could lead the payday lending industry and government to cooperative guidelines for providing this necessary service."

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_Fordham\\_Study\\_Final.pdf](http://www.cfsa.net/downloads/Highlights_Fordham_Study_Final.pdf)
- Full Study

<http://www.cfsa.net/downloads/HUCKSTEP%20JCI4%20FJCFL%20XII.1.pdf>

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### **"DEFINING AND DETECTING PREDATORY LENDING"**

Donald P. Morgan, Federal Reserve Bank of New York, January 2007

The study by Donald P. Morgan, Research Officer, Federal Reserve Bank of New York, concludes that payday loans are not a "welfare reducing" form of credit. To the contrary, the author suggests that payday lenders enhance the welfare of households by increasing the supply of credit.

Noting the difficulty in defining "predatory," the author sets out to distinguish predatory lending from "the kind that helps households maintain consumption even as their incomes fluctuate." He examined differences in household debt and delinquency across states that allow payday lending and those that do not and compared the change in those differences before and after the advent of payday lending. Particular attention was paid to households that are generally perceived as more vulnerable to predation (those with income uncertainty or less education).

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_FRBNY\\_defining\\_predatory.pdf](http://www.cfsa.net/downloads/Highlights_FRBNY_defining_predatory.pdf)
  - CFSA Press Release  
<http://www.cfsa.net/downloads/Payday%20Loans%20Not%20Predatory%20According%20to%20New%20Federal%20Reserve%20Bank%20of%20New%20York%20Staff%20Report.pdf>
  - Full Study  
<http://www.cfsa.net/downloads/Federal%20Reserve%20Bank%20of%20New%20York%20Defining%20Predatory%20Lending.pdf>
- 

### **"WHITE PAPER ANALYSIS: REPORT: FINANCIAL QUICKSAND: PAYDAY LENDING SINKS BORROWERS IN DEBT WITH \$4.2 BILLION IN PREDATORY FEES EVERY YEAR"**

Veritec, January 2007

A January 18, 2007 white paper developed by Veritec Solutions LLC, a regulatory services company, states that a study by the Center for Responsible Lending misinterprets data and thereby leads to flawed conclusions. Several of the findings and conclusions reflected in the CRL Report are based on reports published by Veritec Solutions LLC.

*False conclusion #1: Ninety percent of payday lending revenues are based on fees stripped from trapped borrowers.*

*False conclusion #2:* The typical payday loan borrower pays back \$793 for a \$325 loan.

*False conclusion #3:* Regulator data corroborates high levels of loan flipping and that regulator data confirms that most borrowers renew payday loans many times per year.

- CFSA Highlights  
<http://www.cfsa.net/Veritec.html>
  - Full White Paper  
<http://www.cfsa.net/downloads/Veritec%20White%20Paper%20Analysis.pdf>
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### **"PAYDAY LENDING AND PUBLIC POLICY: WHAT ELECTED OFFICIALS SHOULD KNOW"**

Dr. Thomas Lehman, Indiana Wesleyan University, August 2006

The white paper by Tom Lehman, Ph.D., adjunct scholar of the Indiana Policy Review Foundation and professor of economics at Indiana Wesleyan University, takes a comprehensive look at the payday lending industry." Dr. Lehman provides a broad overview of payday loans including: What are payday loans?

Dr. Lehman concludes that "policymakers and critics of the payday loan industry must become more informed about these [small loan] markets, and must be much more cautious in their advocacy for further regulating or banning the practice lest they do harm to the consumers they ostensibly seek to protect."

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_Lehman\\_%20public\\_%20policy.pdf](http://www.cfsa.net/downloads/Highlights_Lehman_%20public_%20policy.pdf)
  - Full Whitepaper  
[http://www.cfsa.net/downloads/Payday\\_Lending\\_and\\_Public\\_Policy\\_What\\_%20Elected\\_Officials\\_Should\\_Know.pdf](http://www.cfsa.net/downloads/Payday_Lending_and_Public_Policy_What_%20Elected_Officials_Should_Know.pdf)
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### **"PAYDAY LOAN ATTITUDES AND USAGE AMONG ENLISTED MILITARY PERSONNEL"**

Professors William Brown of The University of North Carolina - Greensboro and Charles Cushman of The George Washington University, July 2006

This survey, conducted by Professors William Brown of the University of North Carolina - Greensboro and Charles Cushman of The George Washington University, is the first systematic empirical survey of enlisted military personnel regarding their economic circumstances and attitudes toward short-term credit.

- Consumer Credit Research Foundation Press Release

*Updated 4/23/2009*

<http://www.creditresearch.org/editor/assets/News/060628MilitarySurveyRelease.pdf>

- Full Survey  
<http://www.creditresearch.org/editor/assets/files/060628MilitaryPDLSurvey.pdf>
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### **"COMPENSATION AND SHORT-TERM CREDIT NEEDS OF U.S. MILITARY ENLISTED PERSONNEL"**

Professors William Brown of The University of North Carolina - Greensboro and Charles Cushman of The George Washington University, April 2006

The study explores the compensation and short-term credit needs of America's military enlisted personnel. This analysis concludes that enlisted military personnel earn incomes comparable to those of their civilian counterparts, and their needs for short-term credit are likewise comparable to the credit needs of middle-class civilians.

- Consumer Credit Research Foundation Press Release  
<http://www.creditresearch.org/editor/assets/News/060427MilitaryPressRelease.pdf>
  - Full Study  
<http://www.creditresearch.org/editor/assets/files/060427MilitaryCredit.pdf>
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### **A Critique of "RACE MATTERS: THE CONCENTRATION OF PAYDAY LENDERS IN AFRICAN-AMERICAN NEIGHBORHOODS IN NORTH CAROLINA"**

Dr. Thomas Lehman, Indiana Wesleyan University, February 2006

The critique debunks and repudiates the Center for Responsible Lending's (CRL's) assertion the short-term consumer credit industry targets African-Americans.

Dr. Thomas E. Lehman assessed the research methods employed by CRL and has found that the conclusions of the "Race Matters" study are unfounded. The shortcomings of the study include: flawed data collection processes, the omission of independent variables and an overall editorial tone that reflects a clear bias against the payday lending industry.

- Consumer Credit Research Foundation Executive Summary  
<http://www.creditresearch.org/editor/assets/files/060209RaceMattersExecSummary.pdf>
- Full Critique  
<http://www.creditresearch.org/editor/assets/files/060209CritiqueofRaceMattersFINAL.pdf>



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### **"CONTRASTING PAYDAY LOANS TO BOUNCED CHECK FEES"**

Dr. Thomas Lehman, Indiana Wesleyan University, June 2005

Dr. Lehman takes a close look and, after a thorough comparison, concluded that bounced check fees are actually more expensive than payday loans.

- Brochure  
<http://www.creditresearch.org/editor/assets/files/050608ContrastingPaydayLoans.pdf>
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### **"PAYDAY LENDING: DO THE COSTS JUSTIFY THE PRICE?"**

Mark Flannery & Katherine Samolyk, FDIC Center for Financial Research, April 2005

The study report finds a strong consumer demand for short-term, small-denomination loans and deduces that payday lenders do not yield extraordinary profits due to their high operating costs. The authors, Mark Flannery and Katherine Samolyk, conclude that the race and demographics of a store location have little effect on store profitability and find that the industry's profitability does not depend on the presence of repeat borrowers.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_FDIC\\_Study.pdf](http://www.cfsa.net/downloads/Highlights_FDIC_Study.pdf)
  - Full Study  
[http://www.cfsa.net/downloads/costs\\_justify.pdf](http://www.cfsa.net/downloads/costs_justify.pdf)
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### **"LOW-COST PAYDAY LOANS: OPPORTUNITIES AND OBSTACLES"**

Sheila Bair, Prepared for the Annie E. Casey Foundation, June 2005

The report underscores the importance of small-denomination, short-term loans and encourages banks and credit unions to offer payday loan alternatives.

The report finds that: payday loan customers consider their financial options before making a choice; payday loans can be the lowest-cost option available to consumers; banks and credit unions may be reluctant to offer payday loan alternatives; APR disclosure requirement should apply to payday loan alternatives.

- CFSA Highlights  
[http://www.cfsa.net/downloads/Highlights\\_Annie\\_Casey\\_PDL\\_Alternatives.pdf](http://www.cfsa.net/downloads/Highlights_Annie_Casey_PDL_Alternatives.pdf)
- Full Report

<http://www.aecf.org/KnowledgeCenter/Publications.aspx?pubguid={E9CA9157-7E15-4A95-902D-F26132C36AA6}>

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### **"PAYDAY LENDING: A PRACTICAL OVERVIEW OF A GROWING COMPONENT OF AMERICA'S ECONOMY"**

Consumer Credit Research Foundation, December 2004

The Payday Lending Fact Book offers a clear, readable, summation of payday lending. It has been crafted to serve as a useful tool for all parties that summarizes key facts about this dynamic industry, its customers and the availability of short term credit.

- Consumer Credit Research Foundation Press Release  
<http://www.creditresearch.org/editor/assets/files/PressReleaseFINAL12.21.2004.doc>
  - Payday Lending Fact Book  
[http://www.creditresearch.org/editor/assets/files/PaydayLendingFinal\\_wotitle.pdf](http://www.creditresearch.org/editor/assets/files/PaydayLendingFinal_wotitle.pdf)
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### **"REGULATION AND SELF-POLICING WILL INFLUENCE CONSUMERS ACCESS TO PAYDAY LOANS"**

Washington Legal Foundation, Legal Backgrounder, Vol. 18, No. 49  
Charles M. Horn, November 14, 2003

The legal backgrounder describing the payday advance industry concludes: The payday lending industry has to police itself; to do so, the industry has to assure, individually and collectively, that its members comply with applicable laws and regulations, and deal fairly and openly with their potential borrowers. The principal challenge facing payday lenders, as they attempt to emerge from the regulatory vortex in which they now find themselves, is to abide by simple good practices and good behavior.

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### **"PAYDAY ADVANCE CREDIT IN AMERICA: AN ANALYSIS OF CUSTOMER DEMAND"**

The Credit Research Center McDonough School of Business Georgetown University, 2001

In 2001, the Credit Research Center at Georgetown University released nation's first comprehensive economic analysis of consumer demand for, and use of, payday advance services. The study was conducted among a nationally representative sample of customers of CFSA member companies.

*Updated 4/23/2009*

Key findings: Customers overwhelmingly appreciate the payday advance product. Customers use the service responsibly. Customers understand the cost of the service. Most customers fit the expected economic profile of consumers in early life-cycle stages.

- Full Monograph  
[http://www.cfsa.net/downloads/analysis\\_customer\\_demand.pdf](http://www.cfsa.net/downloads/analysis_customer_demand.pdf)
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## **ADDITIONAL RESEARCH**

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### **"Economic Impact of the Payday Lending Industry"**

HIS Global Insight (USA) Inc., May 2009

IHS Global Insight conducted a comprehensive study analyzing the economic impact of the payday loan industry nationally and in states with storefront locations. Findings illustrate "measurable and significant" economic benefits to local economies directly through employment, compensation and taxes, as well as through indirect and induced relationships with suppliers and other industries.

- CFSA Highlights: [http://www.cfsa.net/economic\\_impact.html](http://www.cfsa.net/economic_impact.html)
  - State-by-State Highlights: [http://www.cfsa.net/state\\_eco\\_data.html](http://www.cfsa.net/state_eco_data.html)
  - Full Study: [http://www.cfsa.net/downloads/eco\\_impact.pdf](http://www.cfsa.net/downloads/eco_impact.pdf)
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### **"2008 Fee Analysis of Bank and Credit Union Non-Sufficient Funds and Overdraft Protection Programs"**

Bretton Woods, Inc., Jan 2009

Bretton Woods, Inc reports on bank and credit union fee income derived from NSF and ODP fees, both nationally and at the state level. Report also includes NSF/ODP cost per household and average number of transactions.

- Bretton Woods Key Findings  
[http://www.cfsa.net/downloads/bretton\\_woods\\_key\\_findings.pdf](http://www.cfsa.net/downloads/bretton_woods_key_findings.pdf)
  - Bretton Woods Press Release  
[http://www.cfsa.net/downloads/Press\\_Releases/bretton\\_woods.pdf](http://www.cfsa.net/downloads/Press_Releases/bretton_woods.pdf)
  - Full Analysis  
<http://bretton-woods.com/452/18901.html>
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### **"National Data On Short-Term Credit Alternatives"**

CFSA, 2006

CFSA engaged MemberSurvey.com (division of Readex Research), an independent research company, to assist with data collection and reporting of the 2006 survey. The survey instrument was designed by CFSA, building on a similar survey conducted in 2003. Field staff at those companies was asked to contact multiple instances of each of the businesses asked about (banks, credit unions, major merchants, etc.) in their locality.

- Full Survey  
[http://www.cfsa.net/downloads/National\\_Data\\_on\\_Short\\_Term\\_Credit\\_Alternatives.pdf](http://www.cfsa.net/downloads/National_Data_on_Short_Term_Credit_Alternatives.pdf)
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### **"Payday Loan Use Among Active Military"**

Penn, Schoen & Berland Associates, Inc., January 2005

A nationally representative sample of 1,002 active duty members of the United States Armed Forces, across all branches of service, was interviewed between January 11-20, 2005. Of the 1002 members of the military surveyed, only 37 active military service people said they had taken out a payday advance loan in the last five years.

- Poll Results [http://www.cfsa.net/downloads/active\\_military.pdf](http://www.cfsa.net/downloads/active_military.pdf)
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### **"Arizona Payday Advance Customer Study"**

Cypress Research Group, December 2005

A random, statistically representative sample of customers who obtained payday advances from CFSA-member companies in Arizona were interviewed by telephone. The primary research objective was to examine industry performance from the customer's perspective, evaluating consumer confidence in and satisfaction with the service. Results from the sample of 600 have a margin of error +/- 5% at the 95% confidence interval.

- Survey Results [http://www.cfsa.net/downloads/arizona\\_payday.pdf](http://www.cfsa.net/downloads/arizona_payday.pdf)
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### **"Payday Advance Pennsylvania Customer Survey"**

Cypress Research Group, 2005

A representative sample of customers who obtained payday advances from CFSA-member companies in Pennsylvania were interviewed by telephone in early 2005. The primary research objective was to examine industry performance from the customer's perspective, evaluating consumer confidence in and satisfaction with the service.

- Survey Results [http://www.cfsa.net/payday\\_advance\\_penn.html](http://www.cfsa.net/payday_advance_penn.html)
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### **"Payday Advance Customer Satisfaction Survey"**

Cypress Research Group, 2004

Two thousand payday advance customers were surveyed in efforts to examine industry performance from the customer's perspective, evaluate the long-term viability of the industry, and assess consumer confidence in, and satisfaction with, the payday advance service.

- CFSA Highlights  
[http://www.cfsa.net/customer\\_satisfaction\\_study.html](http://www.cfsa.net/customer_satisfaction_study.html)
  - Survey Results  
[http://www.cfsa.net/downloads/customer\\_satisfaction\\_study.pdf](http://www.cfsa.net/downloads/customer_satisfaction_study.pdf)
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### **"North Carolina Payday Advance Customer Study"**

Io Data Corporation, September 2002

Io Data Corporation ("Io") was commissioned by the Community Financial Services Association of America ("CFSA") to conduct a survey of customers that had recently obtained a payday advance in North Carolina. The objective of the survey ("North Carolina Survey") was to obtain payday advance customer information regarding customer demographics, customer motives and customer perceptions of alternatives.

- Survey Results [http://www.cfsa.net/downloads/north\\_carolina\\_payday.pdf](http://www.cfsa.net/downloads/north_carolina_payday.pdf)
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### **"Illinois Payday Advance Customer Study"**

Io Data Corporation, September 2002

Io Data Corporation ("Io") was commissioned by the Community Financial Services Association of America ("CFSA") to conduct a survey of customers that had recently obtained a payday advance in Illinois. The objective of the survey ("Illinois Survey") was to obtain payday advance customer information regarding customer demographics, customer motives and customer perceptions of alternatives.

- Survey Results [http://www.cfsa.net/downloads/illinois\\_payday.pdf](http://www.cfsa.net/downloads/illinois_payday.pdf)
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### **"California Payday Advance Customer Study"**

Io Data Corporation, September 2002

Io Data Corporation ("Io") was commissioned by the Community Financial Services Association of America ("CFSA") and the California Financial Service Providers ("CFSP") to conduct a survey of customers that had recently obtained a payday advance in California. The objective of the survey ("California Survey") was to obtain payday advance customer information regarding customer demographics, customer motives and customer perceptions of alternatives.

- Survey Results [http://www.cfsa.net/downloads/california\\_payday.pdf](http://www.cfsa.net/downloads/california_payday.pdf)
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### **"Payday Advance: A Cost Effective Alternative"**

*Updated 4/23/2009*

CFSA, 2002

This study is a 2002 industry survey of payday advance customers' alternatives for short-term credit. It concludes that payday advances are cheaper than the other products.

- Survey Results [http://www.cfsa.net/downloads/industry\\_survey.pdf](http://www.cfsa.net/downloads/industry_survey.pdf)
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