

Payday Advance National Customer Survey

Conducted by Cypress Research Group, Shaker Heights, Ohio
Commissioned by CFSA for presentation to
the Conference of State Bank Supervisors, June 2004

A total of 2,000 recent customers of payday advance services were interviewed by telephone during April/May 2004. The primary research objective was to examine industry performance from the customer's perspective, evaluating the long-term viability of the industry and consumer confidence in and satisfaction with the service.

Key Findings

While younger than average, payday advance customers are generally middle-income and educated and look much like the general U.S. population.

- More than two-thirds (69%) have annual household incomes of more than \$25,000.
- More than half (52%) are middle-income, earning \$25,000 to \$50,000 a year.
- 41% own their own home.
- Almost half (49%) of households have children under 18; parents are more likely to be married than single.
- Only 15% are older than 55 and 5% older than 65 (vs. 22% and 12%, respectively, of the U.S. adult population).
- The majority (61%) are white.
- More than half (58%) have attended college, and one in five (22%) has a bachelor's degree or above.

Consumers have other financial options available – but payday advance can sometimes be a better financial decision and is quick and convenient.

- Two-thirds have at least one other option that offers quick access to money. (That rises to 85% if savings accounts are included.)
- Half have overdraft protection on their checking accounts.
- 50% have a major credit card(s), 35% have credit card(s) with credit available.
- In comparison to other credit products with which respondents had recent experience, overall satisfaction with payday advance (75%) was second only to check overdraft protection (83%), and was higher than a home equity line of credit (71%), major credit card (70%), loan with a bank or credit union (69%) and a car title loan (69%).

Consumers weigh the benefits against the costs.

- Most (65%) cited convenience-related factors (less paperwork 2%, quick and easy process 38%, fast approval 10% and convenient location 15%) as the major reason for choosing a payday advance. 85% of the clients surveyed were satisfied with the convenience of the lenders' hours and locations, as well as the location's safety.
- 20% cited comparisons to other financial services and providers, such as less harm to their credit, less expensive than other sources of short-term cash, the lack of revolving debt, greater privacy and more respectful employees.
- A large majority cited the following reasons for taking a payday advance: cover an unexpected expense (84%); avoid late charges on bills (73%); avoid bouncing checks (66%); and bridge a temporary reduction in income (62%).
- More than three-quarters were satisfied with the repayment schedule, the amount they could borrow and their ability to refinance or renew if they chose.

Consumers understand the fee and payback structures.

- 90% were satisfied with their understanding of the terms and cost of their payday advance, although just under half (47%) were satisfied with the fees.

Consumers are pleased with the service they receive from lending staff.

- Customers were highly satisfied with all aspects of service received during the payday advance experience (88% during application, 85% during the loan term, and 82% during the payback or collection period).
- Nine out of 10 were satisfied with the courtesy and professionalism of the lending staff; more than 85% with how they were treated during the application process and loan term.
- During collection, 82% were satisfied with the frequency of reminder calls and 87% were satisfied with the professionalism and courteousness of staff who called.

Consumers are skeptical of government involvement in payday lending.

- 86% don't want officials limiting the frequency of their loans or monitoring their payday advance records.

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