



# 2011 Payday Lending Report

**THE WASHINGTON STATE DEPARTMENT OF FINANCIAL INSTITUTIONS**

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The Department of Financial Institutions (DFI) created this report as an educational tool for policy makers and other interested parties. The statistics presented in this report represent data reported to DFI from all payday lending licensees for calendar year 2011. NOTE: DFI is not able to track data from unlicensed Payday Lenders.

## What is a Payday Loan?

Payday loan companies offer small, short-term, high interest loans secured by a post-dated check. The consumer's post-dated check is written for the loan amount plus a fee. The check is held by the lender for the loan period (term). At the end of the term, the lender may deposit the check or the customer may reclaim the check with cash.

The legislature passed Washington's first payday lending laws in 1995 under the Check Cashers & Sellers Act (**RCW 31.45**). DFI is the regulator of payday lenders in Washington State.

### What is Allowed in Washington State?

Maximum Loan Term:	45 days
Maximum Loan Amount:	\$700
Maximum Fee:	15% on the first \$500 10% above \$500

### Example:

A loan for \$500 + \$75 fee = \$575  
A loan for \$700 + \$95 fee = \$795

## Payment Plans and Installment Plans

Borrowers are entitled to an installment loan at any time prior to default. Borrowers do not have to pay a fee for the installment plan and have from 90 to 180 days (depending on the original loan amount) to repay the loan in a series of installments.

The number of payday lending locations decreased 30% from year-end 2009 to year-end 2010, and decreased another 40% from year-end 2010 to year-end 2011. Overall, the number of payday lending locations has decreased 65% since its height in 2006.



# Number of Licensed Payday Lenders

## Washington State Payday Lending Industry

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Companies	96	110	124	125	131	130	138	133	109	85	68
Branches	286	317	378	465	585	612	591	584	494	339	188
Total Locations	382	427	502	590	716	742	729	717	603	424	256

# Washington State Payday Lending Industry

## Payday Loan Historical Data

### Washington State Payday Lending Industry

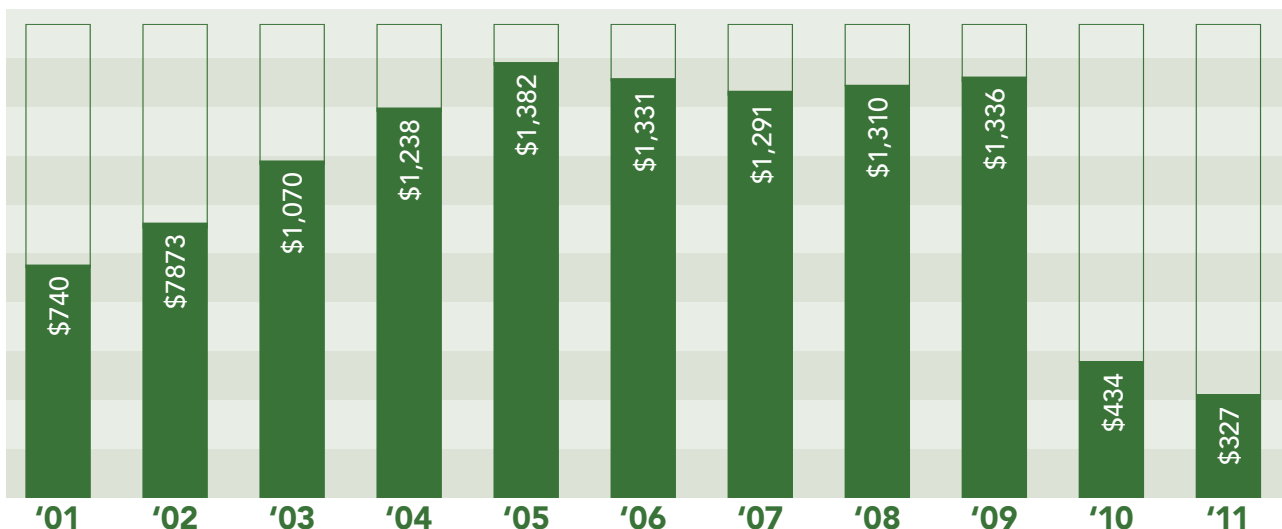
	2001	2002	2003	2004
Small Loans Made	2,186,333	2,337,359	2,983,477	3,297,012
Total Amount of Small Loans	\$739,540,654	\$873,339,989	\$1,069,695,069	\$1,238,488,278

continued	2005	2006	2007	2008
Small Loans Made	3,595,873	3,503,721	3,265,621	3,196,712
Total Amount of Small Loans	\$1,382,132,283	\$1,330,738,136	\$1,291,212,797	\$1,310,540,280

continued	2009	2010	2011
Small Loans Made	3,244,024	1,093,776	855,829
Total Amount of Small Loans	\$1,336,028,845	\$434,111,743	\$326,673,119

## Total Payday Loans Made (measured in millions of dollars)

### Washington State Payday Lending Industry



When measured in dollars, payday lending is a \$327 million industry.

## 2011 Payday Loan Analysis

Washington State Payday Lending Industry	2011
Volume of Payday Loans	\$326,673,119
Number of Payday Loans	855,829
Average Payday Loan Amount	\$381.70

**The average payday loan was \$382 in 2011, compared to \$397 in 2010.**

## 2011 Payday Loan Fee Analysis

Washington State Payday Lending Industry	2011
Total Payday Loan Fees	\$46,666,858.00
Number of Payday Loans	855,829
Average Payday Loan Fee	\$54.53

**The average payday loan fee in 2010, was \$55, compared to \$56 in 2010.**

## 2011 Borrower Income

Washington State Payday Lending Industry	Average Monthly Income*
WA Average Customer Income for 2011	\$2,821.98

\* Monthly income for customers is based on the most recent update to customer income in the Veritec database during 2011 and does not necessarily reflect monthly income at the time transactions were opened.

## 2011 Borrower Frequency

Beginning Jan. 1, 2010, borrowers are limited to eight loans in any 12-month period from all lenders. This limit for licensees is enforced by an external electronic database to which all licensees are required to report all small loans.

Washington State Payday Lending Industry	2011
Number of Unique Customers	233,835
Number of Customers that Reached 8-Loan Limit	56,326
Percentage of Borrowers that Took out the Maximum Number of Loans	24.09%

## 2011 Installment Plan Usage

Beginning Jan. 1, 2010, borrowers are entitled to an installment loan at any time prior to default. Borrowers do not have to pay a fee for the installment plan and have from 90 to 180 days (depending on the original loan amount) to repay the loan in a series of installments.

Washington State Payday Lending Industry	2011
Number of Small Loans Made	855,829
Number of Small Loans Converted to Installment Plan	81,462
Percentage of Small Loans that were Converted to an Installment Plan	9.52%

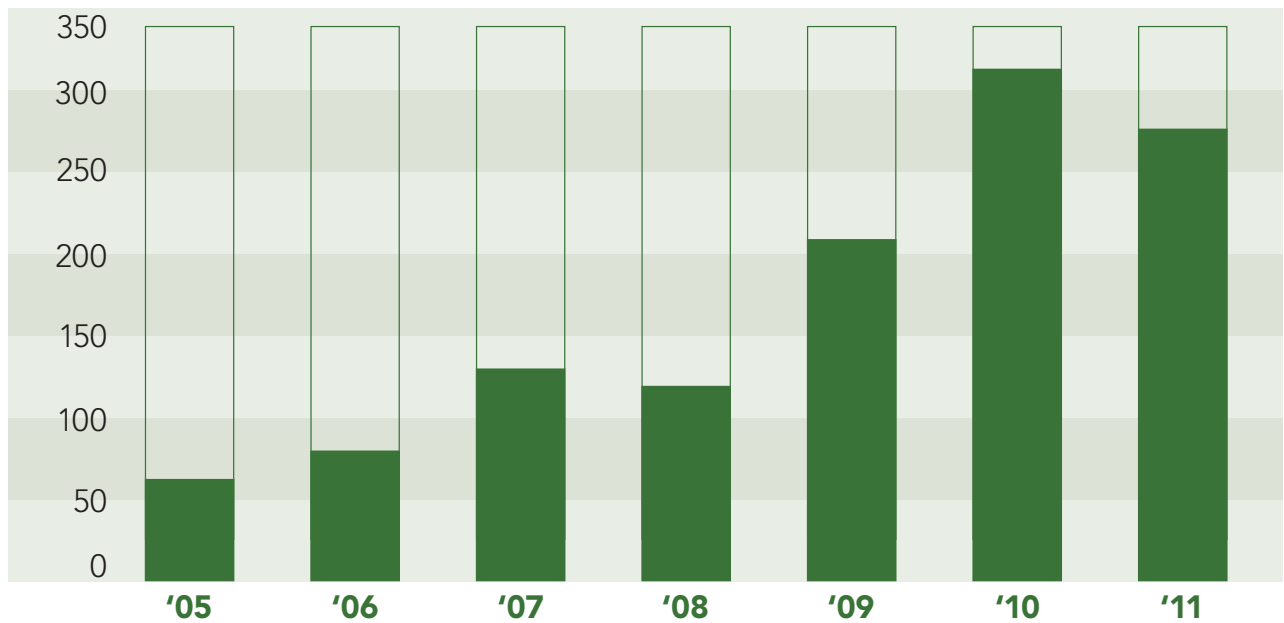
## Consumer Complaint Summary

DFI Investigates complaints from consumers about payday lenders. DFI received the following number of complaints against all payday lenders in Washington State.

Number of Complaints	Year
64	2005
82	2006
134	2007
123	2008
216	2009
324	2010
286*	2011

**\*Of the 286 complaints received in 2011, 145 were against online payday lenders.**

### Total Number of Complaints





## Borrower Frequency

DFI collected additional required statistics from six licensees with more than \$10 million in loans. In addition, nine licensees provided this data voluntarily. The information featured on pages 9-10 represents responses from these 15 companies, which make up 96% of the loans (measured by dollar volume). These companies range in size from \$76,400 - \$186,747,925 in annual loan volume.

Payday Loan Analysis of 15 Companies (96% of the state's payday lending market)	
Volume of Payday Loans	\$314,091,390
Number of Payday Loans	810,213
Average Payday Loan Amount	\$387.67

Average Length of Payday Loans (96% of the state's payday lending market)	
1-7 days	0.01%
8-14 days	10.78%
15-21 days	11.06%
22-31 days	16.08%
32+ days	62.07%

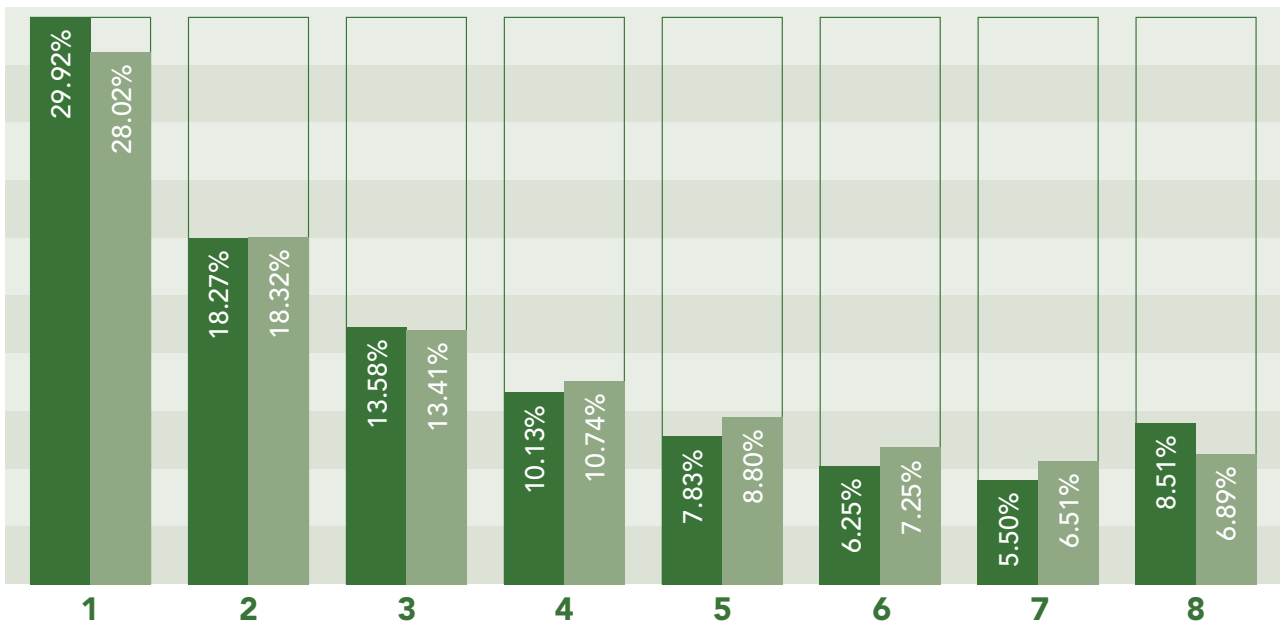
**The average length of a payday loan in 2011 among the 15 companies was 28.7 days; nearly the same as the 2010 average length of 28.6 days.**

## Borrowing Frequency Comparison

(Sampling of the state's payday lending statistics in 2010 and 2011)

Number of Loans	1	2	3	4	5	6	7	8
2010 Percent of Total Borrowers	29.92%	18.27%	13.58%	10.13%	7.83%	6.25%	5.50%	8.51%
2011 Percent of Total Borrowers	28.08%	18.32%	13.41%	10.74%	8.80%	7.25%	6.51%	6.89%

Number of Loans ■ 2010 ■ 2011



## Washington State Payday Lending Industry continued

The tables on this page capture loan frequency data as the number of loans each individual borrowed during the year. For example: 43,916 borrowers entered into loan transactions with a lender two times in 2011 for a total of 87,832 loans in this category ( $43,916 \times 2 = 87,832$ ).

### Loan Frequency 2011

**(96% of the state's payday lending market)**

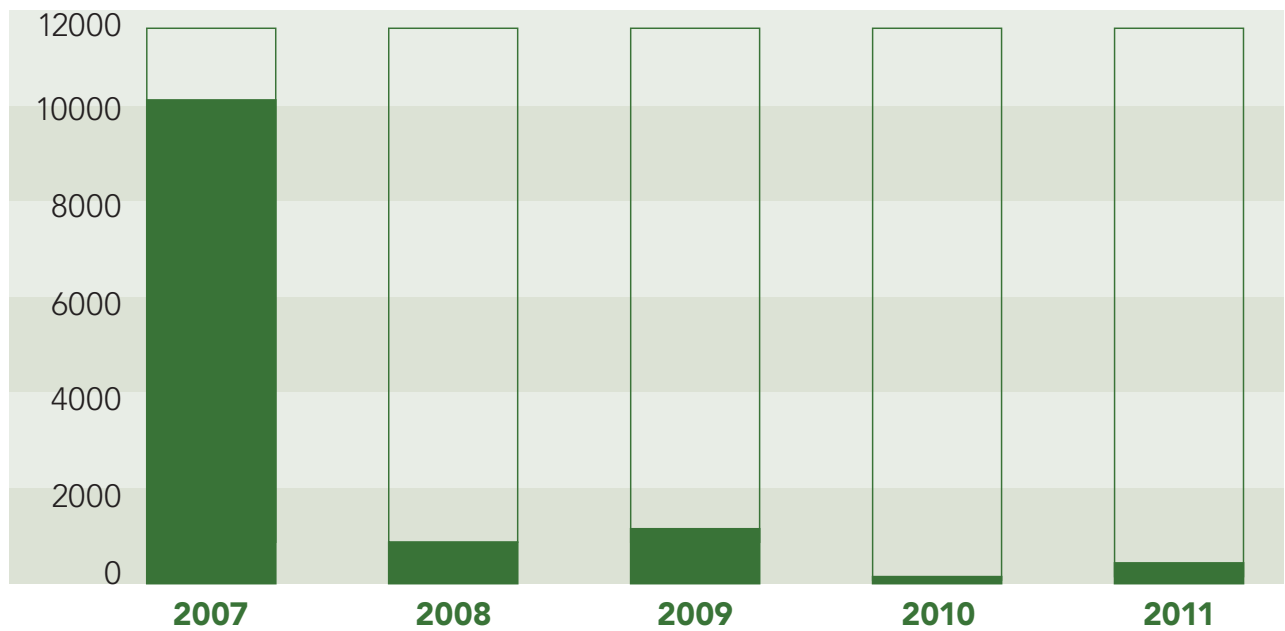
Annual Loan Frequency	Total Borrowers	% Total Borrowers	Total Number of Loans	% Total Loans
1 Time	67,336	28.08%	67,336	8.36%
2 Times	43,916	18.32%	87,832	10.90%
3 Times	32,155	13.41%	96,465	11.97%
4 Times	25,754	10.74%	103,016	12.78%
5 Times	21,106	8.80%	105,530	13.10%
6 Times	17,379	7.25%	104,274	12.94%
7 Times	15,603	6.51%	109,221	13.55%
8 Times	16,512	6.89%	132,096	16.39%
TOTAL	239,761	100.00%	805,770	100.00%

Annual Loan Frequency	Military Borrowers	% Military Borrowers	Number Loans to Military Borrowers	% Loans to Military Borrowers
1 Time	77	21.45%	77	5.17%
2 Times	43	11.98%	86	5.78%
3 Times	32	8.91%	96	6.45%
4 Times	34	9.47%	136	9.13%
5 Times	43	11.98%	215	14.44%
6 Times	67	18.66%	402	27.00%
7 Times	27	7.52%	189	12.69%
8 Times	36	10.03%	288	19.34%
TOTAL	359	100.00%	1489	100.00%

## Military Borrowers

On Oct. 1, 2007, a 36 percent annual percentage rate cap took effect for all loans made to military borrowers. This cap was mandated by the Talent-Nelson Amendment of the John Warner National Defense Authorization Act of 2007. Due to this cap, the majority of the payday lenders in Washington State have ceased lending to military borrowers.

**Number of Military Borrowers**



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