



Payday Lending Report



WASHINGTON STATE
Trends & Statistics

Payday loans are a growing financial product used by consumers in our state. The Department of Financial Institutions (DFI) created this report as an educational tool for policy makers and other interested parties. The statistics presented on pages 1 and 2 represent data reported to DFI from all payday lending licensees for fiscal year 2005.

What is a Payday Loan?

Payday loan companies offer, small, short-term, high interest, loans secured by a posted-dated check. The consumer's post-dated check is written for the advance amount, plus a fee. The check is held for the loan period by the lender and either deposited or the customer returns with cash to reclaim the check.

The legislature passed Washington's first payday lending laws in 1995 under the Check Casher and Seller's 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

Consumers have a right to a payment plan after four successive loans with the same company. A payment plan is authorized to allow borrowers the opportunity to payoff their loan in a series of installments. Washington is one of the only states in the country with legislation requiring payment plan options.

Since 2000 the number of payday lending locations grew 90%.

Number of Licensed Payday Lenders

Washington State Payday Lending Industry

	2000	2001	2002	2003	2004	2005
Companies	90	96	110	124	125	131
Branch Offices	287	286	317	378	465	585
Total Locations	377	382	410	502	590	716



Washington State Payday Lending Industry

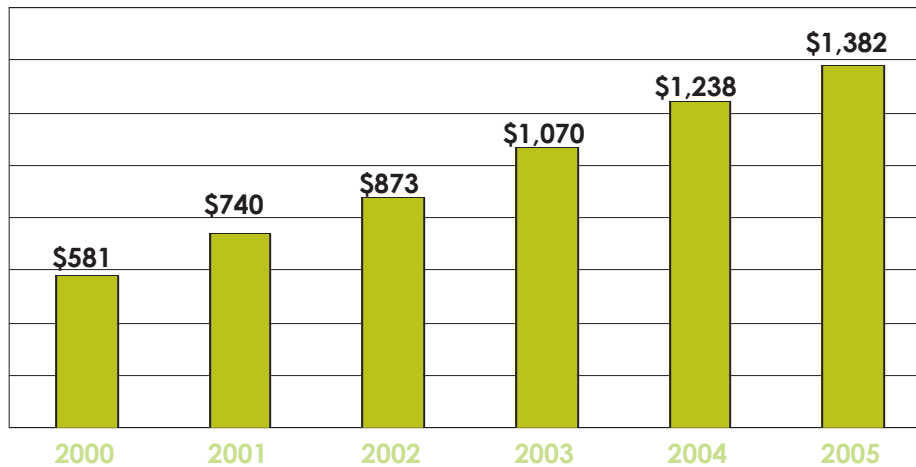
Payday Loan Historical Data

Washington State Payday Lending Industry

	2000	2001	2002	2003	2004	2005
Small Loans Made	1,832,782	2,186,333	2,337,359	2,983,477	3,297,012	3,593,873
Total Amount of Small Loans	\$580,535,734	\$739,540,654	\$873,339,989	\$1,069,695,069	\$1,238,488,278	\$1,382,132,283

Total Payday Loans Made (measured in millions of dollars)

Washington State Payday Lending Industry



2005 Payday Loan Analysis

Washington State Payday Lending Industry

Volume of Payday Loans	\$1,382,132,283
Number of Payday Loans	3,593,873
Average Payday Loan Amount	\$ 385.00

The average payday loan fee in 2005 was \$48.

When measured in dollars, payday lending is a \$1.4 billion industry.

2005 Payday Loan Fee Analysis

Washington State Payday Lending Industry

Total Payday Loan Fees	\$173,653,957
Number of Payday Loans	3,593,873
Average Payday Loan Fee	\$48.00

The department requested a variety of statistics beyond what is required in the annual reporting for payday lenders in Washington State. The information featured on pages 3-5 represents voluntary responses from 19 companies. These payday lenders make up 63% of the loans (measured by \$ volume). The companies in this group range in size from \$61,810 - \$474,461,310 in annual loan volume. DFI adopted rules in 2005 requiring all companies to provide this information beginning in 2007.

Washington State Payday Lending Industry: Voluntary Reporting

Payday Loan Analysis of 19 companies

(63% of the state's payday lending market)

Volume of Payday Loans	\$872,870,303
Number of Payday Loans	2,136,677
Average Payday Loan Amount	\$ 409.00

Average Length of Payday Loans

(63% of the state's payday lending market)

1-7 Days	7.9%
8-14 Days	42.6%
15-21 Days	37.5%
22-31 Days	9.3%
32-38	2.7%
39-More Days	.1%

The average length of a payday loan in 2005 among the 19 companies was 18.3 days.

2005 Payment Plan Use

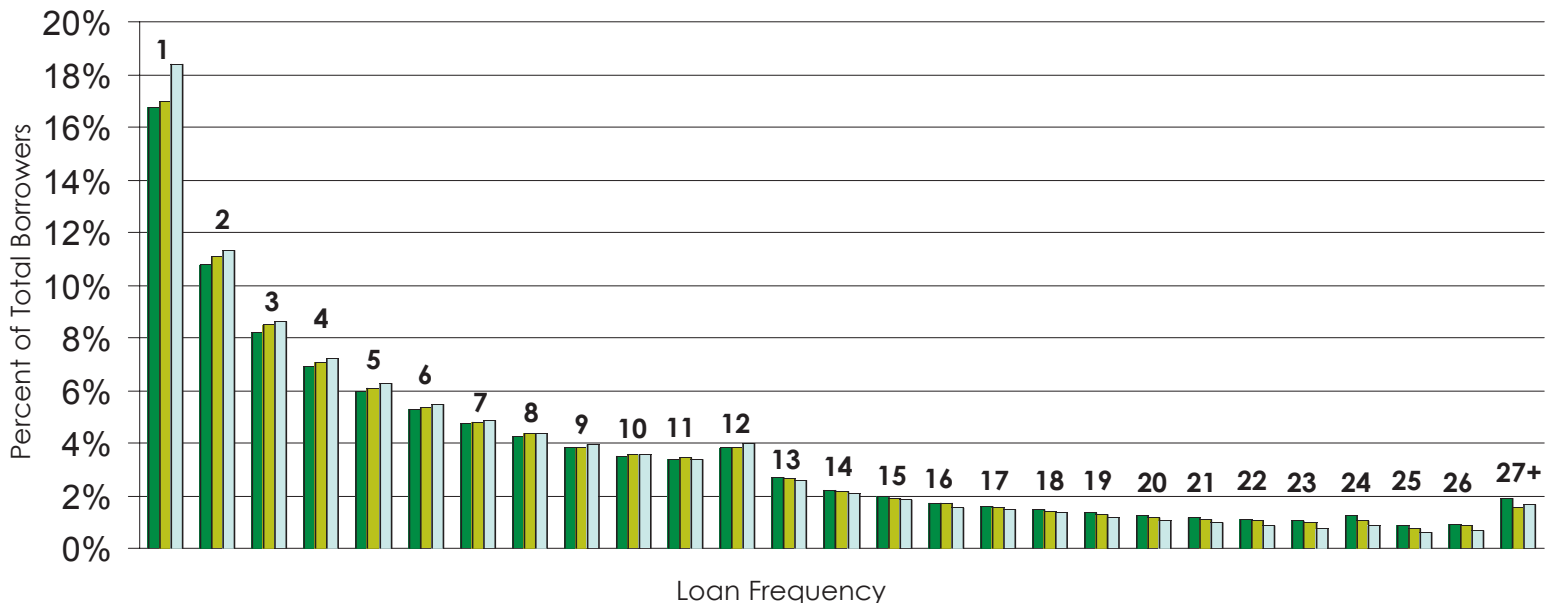
(63% of the state's payday lending market)

Number of borrowers who entered into payment plans	16,412
Payment plan as a percent of estimated borrowers	5%

Borrowing Frequency Comparison

(Sampling of the state's payday lending statistics 2003, 2004, 2005)

2003 2004 2005



The tables on pages 4 and 5 capture loan frequency data as the number of loans each individual borrowed during the year. For example, 33,102 borrowers entered into loan transactions with a lender two times in 2005 for a total of 66,204 loans in this category (33,102 x 2 = 66,204).

Loan Frequency 2005

(63% of the state's payday lending market)

Annual Loan Frequency	Total Borrowers	% of Total Borrowers	Total Number of Loans	% of Total Loans
1 Time	53,730	18.3%	53,730	2.5%
2 Times	33,102	11.3%	66,204	3.1%
3 Times	25,094	8.6%	75,282	3.5%
4 Times	21,023	7.2%	84,092	3.9%
5 Times	18,281	6.2%	91,405	4.2%
6 Times	15,933	5.4%	95,598	4.4%
7 Times	14,165	4.8%	99,155	4.6%
8 Times	12,706	4.3%	101,648	4.7%
9 Times	11,549	3.9%	103,941	4.8%
10 Times	10,463	3.6%	104,630	4.8%
11 Times	9,886	3.4%	108,746	5%
12 Times	11,713	4%	140,556	6.5%
13 Times	7,585	2.6%	98,605	4.6%
14 Times	6,065	2.1%	84,910	3.9%
15 Times	5,479	1.9%	82,185	3.8%
16 Times	4,444	1.5%	71,104	3.3%
17 Times	4,349	1.5%	73,933	3.4%
18 Times	3,921	1.3%	70,578	3.3%
19 Times	3,421	1.2%	64,999	3%
20 Times	3,124	1.1%	62,480	2.9%
21 Times	2,816	1%	59,136	2.7%
22 Times	2,477	.8%	54,494	2.5%
23 Times	2,244	.8%	51,612	2.4%
24 Times	2,431	.8%	58,344	2.7%
25 Times	1,723	.6%	43,075	2%
26 Times	2,036	.7%	52,936	2.4%
27 Times	764	.3%	20,628	1%

Additional information

Some lenders identified their loans as "add-on" amounts to existing loans. While this does not affect the number of loans actually made, the lenders argue that borrowers using add-on loans are more likely to appear to be in a long-term cycle of debt. For example, a borrower may have the following borrowing scenario:

Loan 1: June 1
- \$100 due June 15

Loan 2: June 2
- \$100 due June 15

Loan 3: June 8
- \$100 due June 15

Loan 4: June 10
- \$100 due June 15

Loan 5: June 13
- \$100 due June 15

A borrower repeating this cycle every three months will show in the 20 loan frequency category and may give the impression that he/she was in a cycle of loans lasting 40 weeks, or ten months.

Loan Frequency 2005, continued

(63% of the state's payday lending market)

Annual Loan Frequency	Total Borrowers	% of Total Borrowers	Total Number of Loans	% of Total Loans
28 Times	378	.1%	10,584	.5%
29 Times	312	.1%	9,048	.4%
30 Times	232	.1%	6,960	.3%
31 Times	219	.1%	6,789	.3%
32 Times	149	.1%	4,768	.2%
33 Times	167	.1%	5,511	.3%
34 Times	150	.1%	5,100	.2%
35 Times	123	0%	4,305	.2%
36 Times	94	0%	3,384	.2%
37 Times	82	0%	3,034	.1%
38 Times	70	0%	2,660	.1%
39 Times	50	0%	1,950	.1%
40 Times	51	0%	2,040	.1%
41 Times	45	0%	1,845	.1%
42 Times	38	0%	1,596	.1%
43 Times	45	0%	1,935	.1%
44 Times	38	0%	1,672	.1%
45 Times	45	0%	2,025	.1%
46 Times	38	0%	1,748	.1%
47 Times	22	0%	1,034	0%
48 Times	24	0%	1,152	.1%
49 Times	28	0%	1,372	.1%
50 Times	21	0%	1,050	0%
51 Times	159	.1%	8,109	.4%
Total	293,104	*	2,163,677	*

* Numbers do not equal 100% due to rounding.

Consumer Complaint Summary

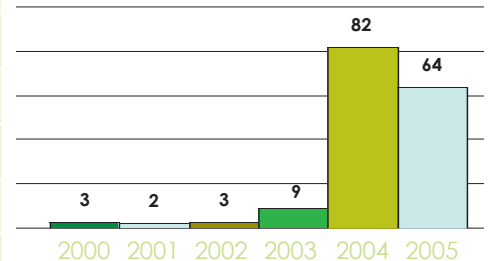
DFI investigates complaints from consumers. The following data measures the number of complaints against all payday lenders in Washington State.

2000 - 3 complaints
 2001 - 2 complaints
 2002 - 3 complaints
 2003 - 9 complaints
 2004 - 82 complaints
 2005 - 64 complaints

Total - 163 complaints

Total Number of Complaints

Washington State Payday Lending Industry



Of the 163 complaints

- 125 showed violations or are under investigation
- 38 showed no violation or jurisdiction
- 61 (37%) of the total complaints were against one company

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DFI is committed to educating the public about payday lending. To learn more about the department's award-winning outreach efforts, visit www.DFI.wa.gov. This report is available as a PDF on the department's website. To request printed copies, call 360-902-8700, or 877-746-4334.