

A low-angle photograph of the Washington State Capitol building. The image shows the grand portico with its tall columns and the large, ornate dome. The sky is blue with some light clouds. The text is overlaid on the left side of the image.

2007 Payday Lending Report

Washington State Department of Financial Institutions

Payday Loans

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 2007.

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 or 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 allows borrowers to pay off their loans in a series of installments.

*SINCE 2000 THE NUMBER OF PAYDAY
LENDING LOCATIONS GREW 93%.*

NUMBER OF LICENSED PAYDAY LENDERS

Washington State Payday Lending Industry

	2000	2001	2002	2003	2004	2005	2006	2007
COMPANIES	90	96	110	124	125	131	130	138
BRANCHES	287	286	317	378	465	585	612	591
TOTAL LOCATIONS	377	382	427	502	590	716	742	729

Washington State Payday Lending Industry

[100% of the Payday Licensed Payday Loan Industry]

PAYDAY LOAN HISTORICAL DATA

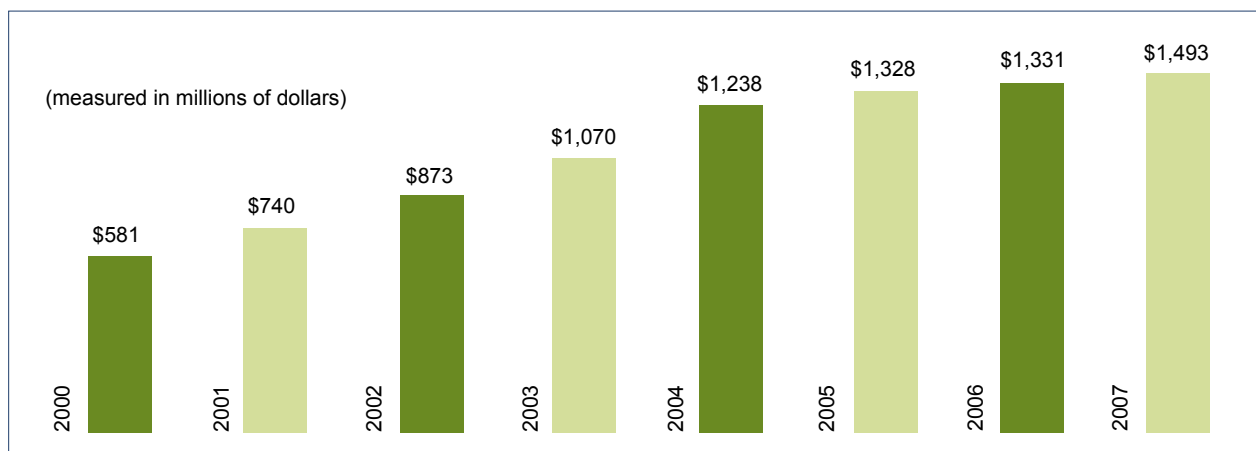
Washington State Payday Lending Industry

	2000	2001	2002	2003	2004	2005	2006	2007
SMALL LOANS MADE	1,832,782	2,186,333	2,337,359	2,983,477	3,297,012	3,595,873	3,503,721	3,484,603
TOTAL AMOUNT OF SMALL LOANS	\$580,535,734	\$739,540,654	\$873,339,989	\$1,069,659,069	\$1,238,488,278	\$1,382,132,283	\$1,330,738,135	\$1,492,948,183

THE AVERAGE PAYDAY LOAN FEE IN 2007 WAS \$56.

TOTAL PAYDAY LOANS MADE

Washington State Payday Lending Industry



WHEN MEASURED IN DOLLARS, PAYDAY LENDING IS A \$1.5 BILLION INDUSTRY.

2007 PAYDAY LOAN ANALYSIS

Washington State Payday Lending Industry

	2007
VOLUME OF PAYDAY LOANS	\$1,492,948,183
NUMBER OF PAYDAY LOANS	3,484,603
AVERAGE PAYDAY LOAN AMOUNT	\$428.44

2007 PAYDAY LOAN FEE ANALYSIS

Washington State Payday Lending Industry

	2007
TOTAL PAYDAY LOAN FEES	\$194,542,876
NUMBER OF PAYDAY LOANS	3,484,603
AVERAGE PAYDAY LOAN FEE	\$55.82

The Department collected additional required statistics from 20 licensees with more than \$10 million in loans. In addition, 14 licensees provided this data voluntarily. The information featured on pages 3-10 represents responses from these 34 companies, which make up 88% of the loans (measured by dollar volume). These companies range in size from \$58,020 - \$427,323,934 in annual loan volume.

WHEN MEASURED IN DOLLARS, PAYDAY LENDING IS A \$1.5 BILLION INDUSTRY.

PAYDAY LOAN ANALYSIS OF 34 COMPANIES

(88% of the state's payday lending market)

VOLUME OF PAYDAY LOANS	\$1,309,581,585
NUMBER OF PAYDAY LOANS	3,085,788
AVERAGE PAYDAY LOAN AMOUNT	\$424.39

2007 PAYMENT PLAN USE

(88% of the state's payday lending market)

	2005	2006	2007
NUMBER OF BORROWERS WHO ENTERED INTO PAYMENT PLANS	16,412	39,556	58,896
PAYMENT PLAN AS A PERCENT OF ESTIMATED BORROWERS	5%	8.22%	13.11%

THE AVERAGE LENGTH OF A PAYDAY LOAN IN 2007 AMONG THE 32 COMPANIES WAS 18.8 DAYS.

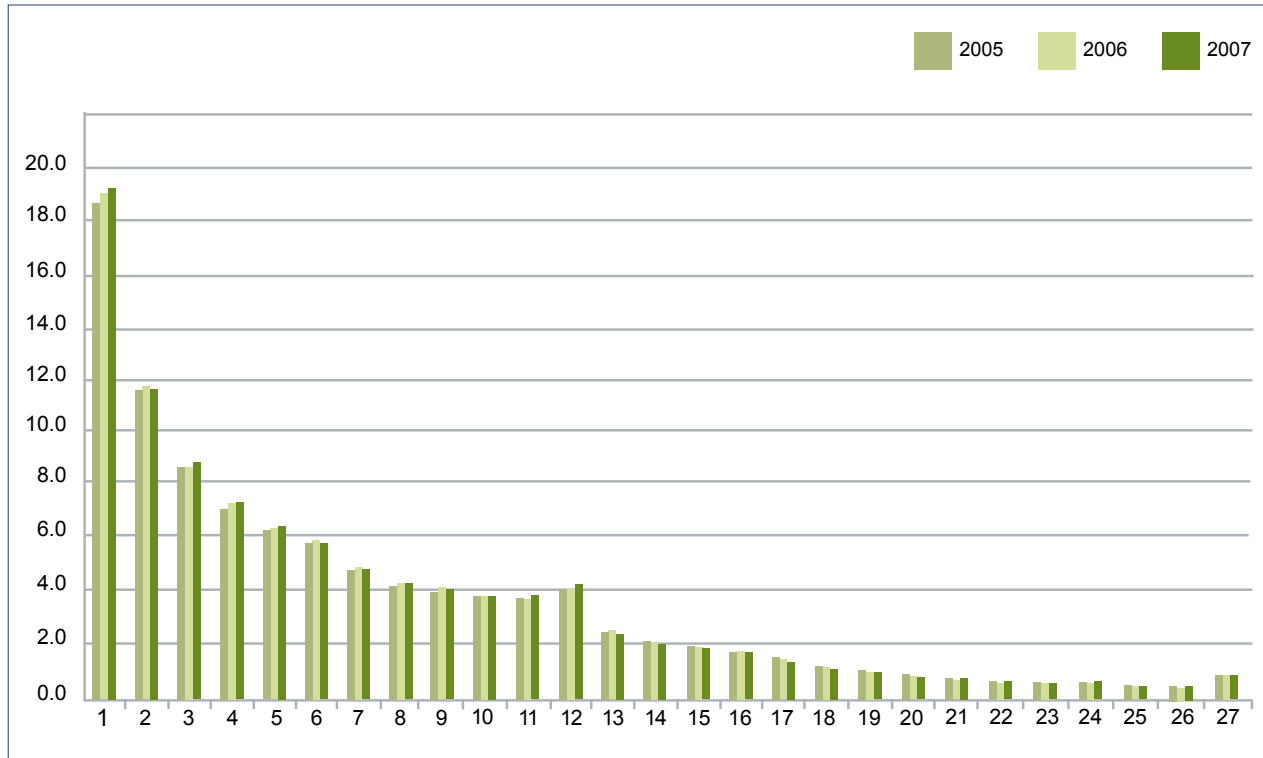
AVERAGE LENGTH OF PAYDAY LOANS

(88% of the state's payday lending market)

1-7 DAYS	6.11%
8-14 DAYS	42.22%
15-21 DAYS	33.65%
22-31 DAYS	13.55%
32+DAYS	3.22%

BORROWING FREQUENCY COMPARISON

(Sampling of the state's payday lending statistics 2005, 2006, 2007)



The tables on pages 4 and 5 capture loan frequency data as the number of loans each individual borrowed during the year. For example, 50,756 borrowers entered into loan transactions with a lender two times in 2007 for a total of 101,512 loans in this category ($50,756 \times 2 = 101,512$).

LOAN FREQUENCY 2007

(88% of the state's payday lending market)

ANNUAL LOAN FREQUENCY	Total Borrowers	% of Total Borrowers	% of Total Borrowers	% of Total Borrowers
1 TIME	86,759	19.77%	86,759	2.84%
2 TIMES	50,756	11.57%	101,512	3.33%
3 TIMES	38,512	8.78%	115,536	3.79%
4 TIMES	32,839	7.48%	131,356	4.31%
5 TIMES	27,872	6.35%	139,360	4.57%
6 TIMES	23,461	5.35%	140,766	4.61%
7 TIMES	21,239	4.84%	148,673	4.87%
8 TIMES	19,202	4.38%	153,616	5.04%
9 TIMES	17,339	3.95%	156,051	5.12%
10 TIMES	15,513	3.54%	155,130	5.09%
11 TIMES	14,868	3.39%	163,548	5.36%
12 TIMES	18,072	4.12%	216,864	7.11%
13 TIMES	10,771	2.45%	140,023	4.59%
14 TIMES	8,614	1.96%	120,596	3.95%
15 TIMES	7,522	1.71%	112,830	3.70%
16 TIMES	6,097	1.39%	97,552	3.20%
17 TIMES	5,413	1.23%	92,021	3.02%
18 TIMES	4,793	1.09%	86,274	2.83%
19 TIMES	4,207	0.96%	79,933	2.62%
20 TIMES	3,729	0.85%	74,580	2.44%
21 TIMES	3,438	0.78%	72,198	2.37%
22 TIMES	2,991	0.68%	65,802	2.16%
23 TIMES	2,671	0.61%	61,433	2.01%
24 TIMES	3,019	0.69%	72,456	2.38%
25 TIMES	2,051	0.47%	51,275	1.68%
26 TIMES	2,768	0.63%	71,968	2.36%
27 TIMES	849	0.19%	22,923	0.75%

28 TIMES	586	0.13%	16,408	0.54%
29 TIMES	421	0.10%	12,209	0.40%
30 TIMES	313	0.07%	9,390	0.31%
31 TIMES	259	0.06%	8,029	0.26%
32 TIMES	237	0.05%	7,584	0.25%
33 TIMES	192	0.04%	6,336	0.21%
34 TIMES	189	0.04%	6,426	0.21%
35 TIMES	144	0.03%	5,040	0.17%
36 TIMES	125	0.03%	4,500	0.15%
37 TIMES	107	0.02%	3,959	0.13%
38 TIMES	95	0.02%	3,610	0.12%
39 TIMES	83	0.02%	3,237	0.11%
40 TIMES	92	0.02%	3,680	0.12%
41 TIMES	53	0.01%	2,173	0.07%
42 TIMES	72	0.02%	3,024	0.10%
43 TIMES	45	0.01%	1,935	0.06%
44 TIMES	36	0.01%	1,584	0.05%
45 TIMES	38	0.01%	1,710	0.06%
46 TIMES	31	0.01%	1,426	0.05%
47 TIMES	32	0.01%	1,504	0.05%
48 TIMES	26	0.01%	1,248	0.04%
49 TIMES	23	0.01%	1,127	0.04%
50 TIMES	21	0.01%	1,050	0.03%
51 + TIMES	240	0.05%	12,240	0.40%
TOTAL	438,825	100.00%	3,050,464	100.00%

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 10 months.

LOAN FREQUENCY 2007 CONTINUED

(88% of the state's payday lending market)

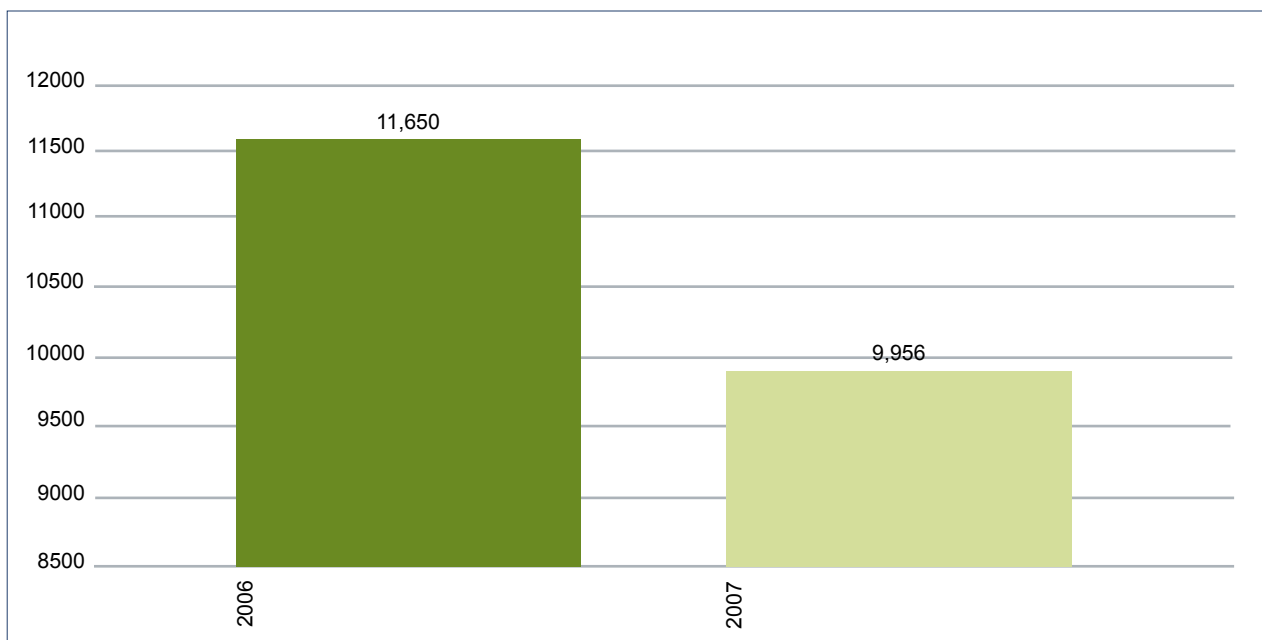
ANNUAL LOAN FREQUENCY	Military Borrowers	% Military Borrowers	Number of Loans to Military Borrowers	% of Loans to Military Borrowers
1 TIME	2345	31.87%	2345	7.06%
2 TIMES	1189	16.16%	2378	7.15%
3 TIMES	754	10.25%	2262	6.81%
4 TIMES	553	7.51%	2212	6.66%
5 TIMES	463	6.29%	2315	6.97%
6 TIMES	350	4.76%	2100	6.32%
7 TIMES	293	3.98%	2051	6.17%
8 TIMES	231	3.14%	1848	5.56%
9 TIMES	204	2.77%	1836	5.52%
10 TIMES	157	2.13%	1570	4.72%
11 TIMES	156	2.12%	1716	5.16%
12 TIMES	174	2.36%	2088	6.28%
13 TIMES	92	1.25%	1196	3.60%
14 TIMES	74	1.01%	1036	3.12%
15 TIMES	71	0.96%	1065	3.20%
16 TIMES	42	0.57%	672	2.02%
17 TIMES	34	0.46%	578	1.74%
18 TIMES	33	0.45%	594	1.79%
19 TIMES	23	0.31%	437	1.31%

20 TIMES	21	0.29%	420	1.26%
21 TIMES	19	0.26%	399	1.20%
22 TIMES	15	0.20%	330	0.99%
23 TIMES	11	0.15%	253	0.76%
24 TIMES	11	0.15%	264	0.79%
25 TIMES	11	0.15%	275	0.83%
26 TIMES	18	0.24%	468	1.41%
27 TIMES	3	0.04%	81	0.24%
28 TIMES	2	0.03%	56	0.17%
29 TIMES	0	0.00%	0	0.00%
30 TIMES	1	0.01%	30	0.9%
31 TIMES	1	0.01%	31	0.9%
32 TIMES	0	0.00%	0	0.00%
33 TIMES	0	0.00%	0	0.00%
34 TIMES	0	0.00%	0	0.00%
35 TIMES	1	0.01%	35	0.11%
36 TIMES	0	0.00%	0	0.00%
37 TIMES	1	0.01%	37	0.11%
38 TIMES	2	0.03%	76	0.23%
39 TIMES	0	0.00%	0	0.00%
40 TIMES	2	0.03%	80	0.24%
41 TIMES	0	0.00%	0	0.00%
42 TIMES	0	0.00%	0	0.00%
43 TIMES	0	0.00%	0	0.00%
44 TIMES	0	0.00%	0	0.00%
45 TIMES	0	0.00%	0	0.00%
46 TIMES	0	0.00%	0	0.00%
47 TIMES	0	0.00%	0	0.00%
48 TIMES	0	0.00%	0	0.00%
49 TIMES	0	0.00%	0	0.00%
50 TIMES	0	0.00%	0	0.00%
51 + TIMES	2	0.03%	102	0.31%
TOTAL	7,359	100.00%	33,236	100.00%

MILITARY BORROWERS

On October 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. Although the full effect of this act will not be seen until the 2008 industry data is received, the number of military borrowers reported decreased 15 percent from 11,650 in 2006 to 9,956 in 2007.

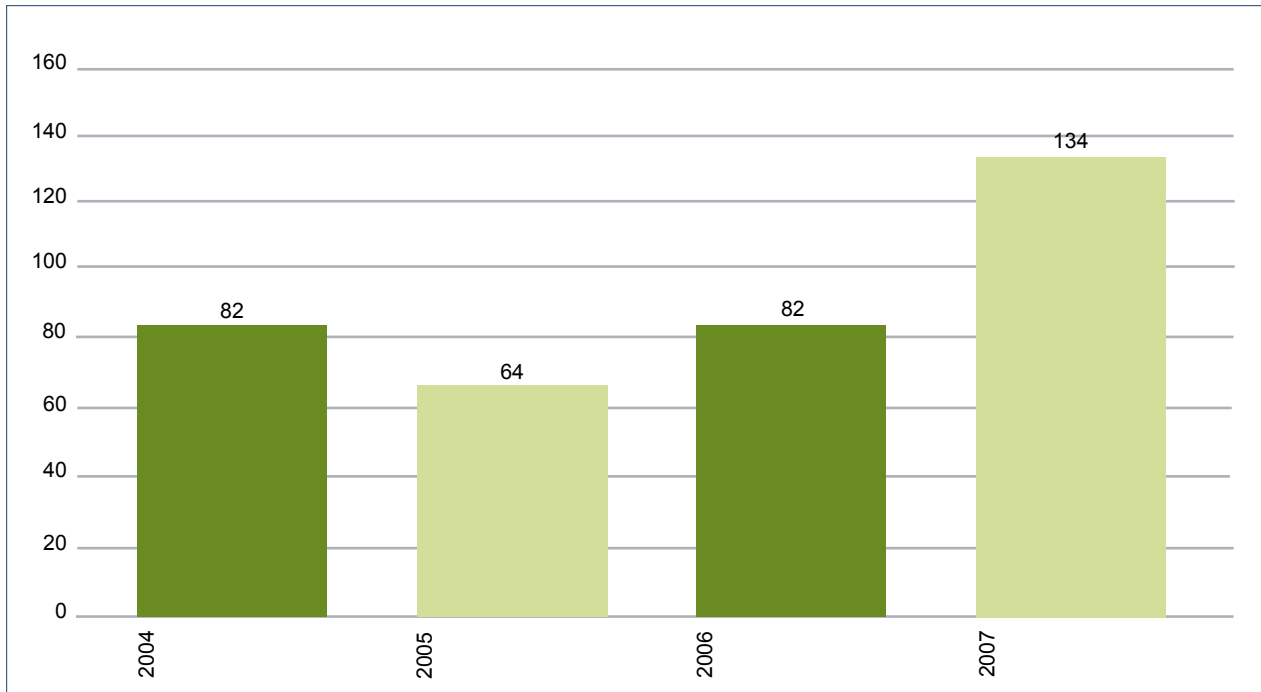
NUMBER OF MILITARY BORROWERS



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.

TOTAL NUMBER OF COMPLAINTS





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