

# **2008 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 calendar year 2008.

## 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

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 90%.

## Number of Licensed Payday Lenders

Washington State Payday Lending Industry

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Companies	90	96	110	124	125	131	130	138	133
Branches	287	286	317	378	465	585	612	591	584
Total Locations	377	382	427	502	590	716	742	729	717

# Washington State Payday Lending Industry

## Payday Loan Historical Data

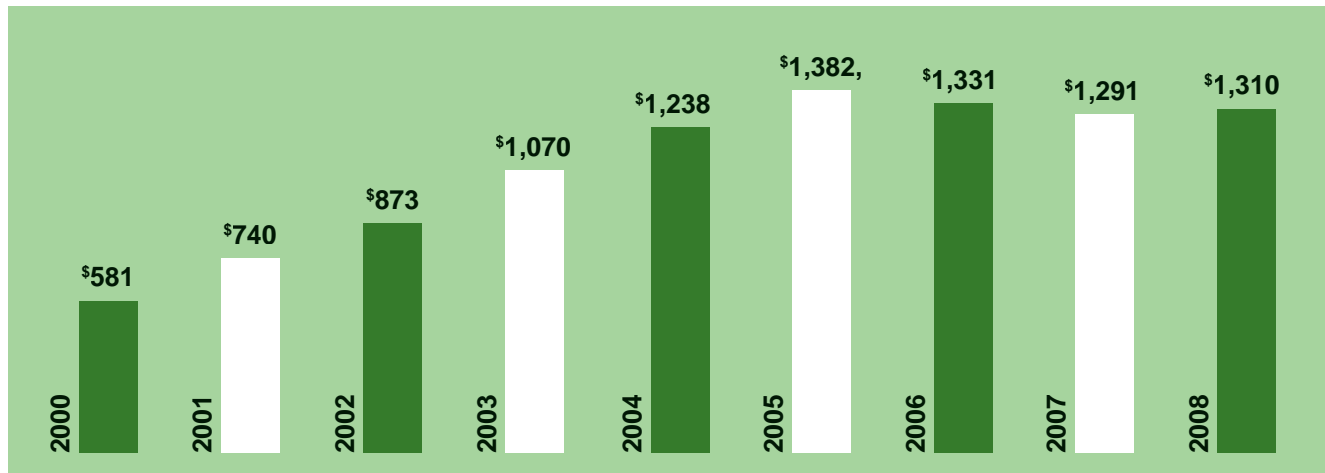
Washington State Payday Lending Industry

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

	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	\$1,330,738,135.68	\$1,291,212,797.00	\$1,310,540,280.40

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

Washington State Payday Lending Industry



The average payday loan fee in 2008 was \$56.

When measured in dollars, payday lending is a \$1.3 billion industry.

## 2008 Payday Loan Analysis

Washington State Payday Lending Industry

Washington State Payday Lending Industry	2008
Volume of Payday Loans	\$1,310,540,280.40
Number of Payday Loans	3,196,712
Average Payday Loan Amount	\$409.97

## 2008 Payday Loan Analysis

Washington State Payday Lending Industry

Washington State Payday Lending Industry	2008
Total Payday Loan Fees	\$179,511,633.28
Number of Payday Loans	3,196,712
Average Payday Loan Fee	\$56.16

The Department requested additional required statistics from 18 licensees with more than \$10 million in loans. An additional 16 licensees provided this data voluntarily. The information featured on pages 3-7 represents responses from these 34 companies, which make up 90% of the loans (measured by dollar volume). These companies range in size from \$144,925 - \$454,096,271 in annual loan volume.

## Payday Loan Analysis of 34 companies

(90% of the state's payday lending market)

Volume of Payday Loans	\$1,177,280,751.10
Number of Payday Loans	2,865,652
Average Payday Loan Amount	\$410.82

## 2008 Payment Plan Use

(90% of the state's payday lending market)

Number of borrowers who entered into payment plans	70,098
Payment plan as a percent of estimated borrowers	11.26%

## Average Length of Payday Loans

(90% of the state's payday lending market)

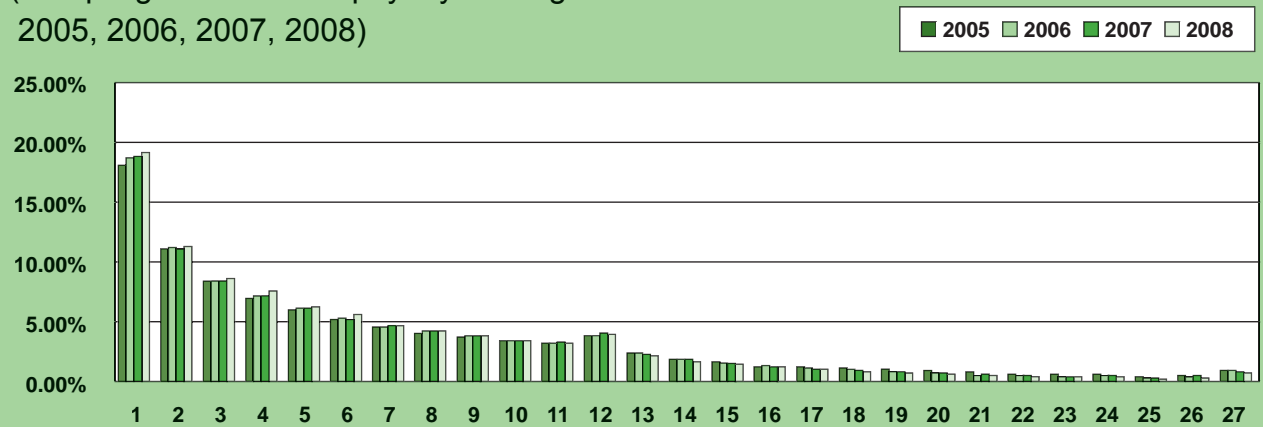
The average length of a payday loan in 2008 among the 34 companies was 19.3 days.

1-7 days	5.84%
8-14 days	40.18%
15-21 days	34.45%
22-31 days	14.77%
32+ days	4.17%

## Borrowing Frequency Comparison

(Sampling of the state's payday lending statistics

2005, 2006, 2007, 2008)



The tables on pages 4 thru 7 capture loan frequency data as the number of loans each individual borrowed during the year. For example, 47,855 borrowers entered into loan transactions with a lender two times in 2008 for a total of 95,710 loans in this category (47,855 x 2 = 95,710).

### Loan Frequency 2008 Total Borrowers

(90% of the state's payday lending market)

Annual Loan Frequency	Total Borrowers	% Total Borrowers	Total Number of Loans	% of Total Loans
1 Time	80,129	19.29%	80,129	2.80%
2 Times	47,855	11.52%	95,710	3.34%
3 Times	36,580	8.81%	109,740	3.83%
4 Times	32,105	7.73%	128,420	4.48%
5 Times	26,622	6.41%	133,110	4.65%
6 Times	23,985	5.77%	143,910	5.02%
7 Times	20,287	4.88%	142,009	4.96%
8 Times	18,647	4.49%	149,176	5.21%
9 Times	16,716	4.02%	150,444	5.25%
10 Times	14,870	3.58%	148,700	5.19%
11 Times	14,153	3.41%	155,683	5.43%
12 Times	17,330	4.17%	207,960	7.26%
13 Times	10,006	2.41%	130,078	4.54%
14 Times	7,890	1.90%	110,460	3.86%
15 Times	6,686	1.61%	100,290	3.50%
16 Times	5,872	1.41%	93,952	3.28%
17 Times	4,976	1.20%	84,592	2.95%
18 Times	4,423	1.06%	79,614	2.78%
19 Times	3,926	0.95%	74,594	2.60%
20 Times	3,488	0.84%	69,760	2.43%
21 Times	3,073	0.74%	64,533	2.25%
22 Times	2,727	0.66%	59,994	2.09%
23 Times	2,475	0.60%	56,925	1.99%
24 Times	2,535	0.61%	60,840	2.12%
25 Times	1,728	0.42%	43,200	1.51%
26 Times	2,333	0.56%	60,658	2.12%
27 Times	897	0.22%	24,219	0.85%

## Loan Frequency 2008 Total Borrowers, continued

(90% of the state's payday lending market)

Annual Loan Frequency	Total Borrowers	% of Total Borrowers	Total Number of Loans	% of Total Loans
28 Times	494	0.12%	13,832	0.48%
29 Times	345	0.08%	10,005	0.35%
30 Times	290	0.07%	8,700	0.30%
31 Times	231	0.06%	7,161	0.25%
32 Times	192	0.05%	6,144	0.21%
33 Times	173	0.04%	5,709	0.20%
34 Times	151	0.04%	5,134	0.18%
35 Times	131	0.03%	4,585	0.16%
36 Times	124	0.03%	4,464	0.16%
37 Times	103	0.02%	3,811	0.13%
38 Times	82	0.02%	3,116	0.11%
39 Times	93	0.02%	3,627	0.13%
40 Times	63	0.02%	2,520	0.09%
41 Times	62	0.01%	2,542	0.09%
42 Times	61	0.01%	2,562	0.09%
43 Times	41	0.01%	1,763	0.06%
44 Times	21	0.01%	924	0.03%
45 Times	37	0.01%	1,665	0.06%
46 Times	32	0.01%	1,472	0.05%
47 Times	26	0.01%	1,222	0.04%
48 Times	38	0.01%	1,824	0.06%
49 Times	28	0.01%	1,372	0.05%
50 Times	25	0.01%	1,250	0.04%
51 + Times	214	0.05%	10,914	0.38%
<b>TOTAL</b>	<b>415,371</b>	<b>100.00%</b>	<b>2,865,018</b>	<b>100.00%</b>

### Additional Information

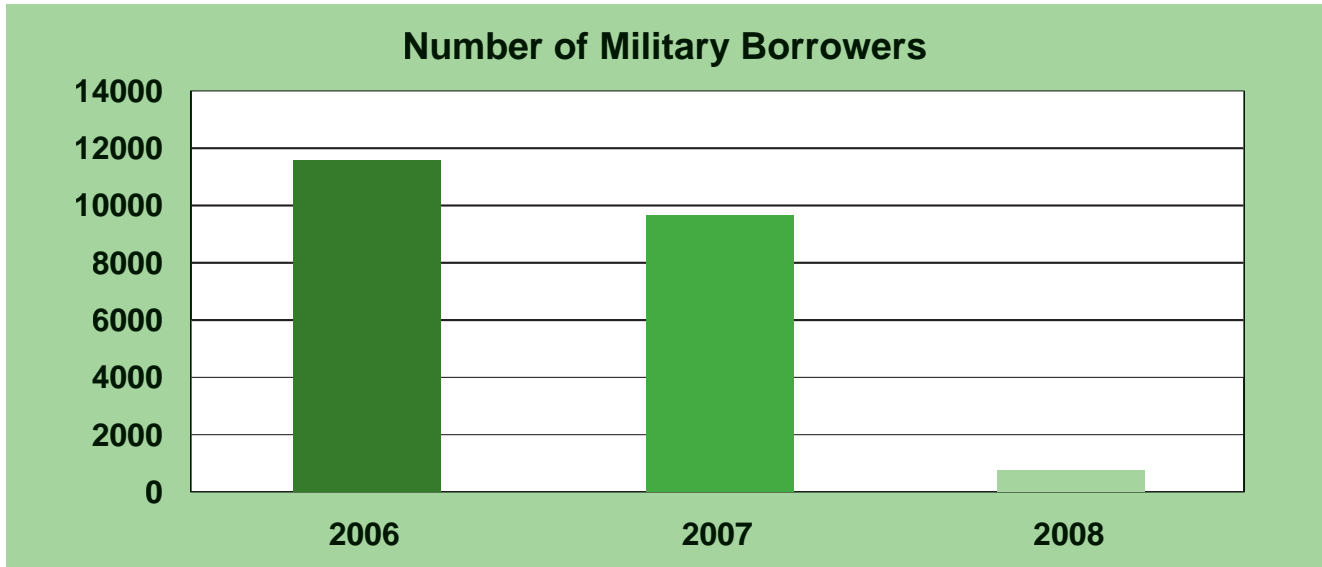
Some lenders identified their loans as “add-on” amounts to existing loans. While this does not affect the number of loans actually made, the lenders argue that borrowers using add-on loans are more likely to appear to be in a long-term cycle of debt. For example, a borrower may have the following borrowing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

## Military Borrowers

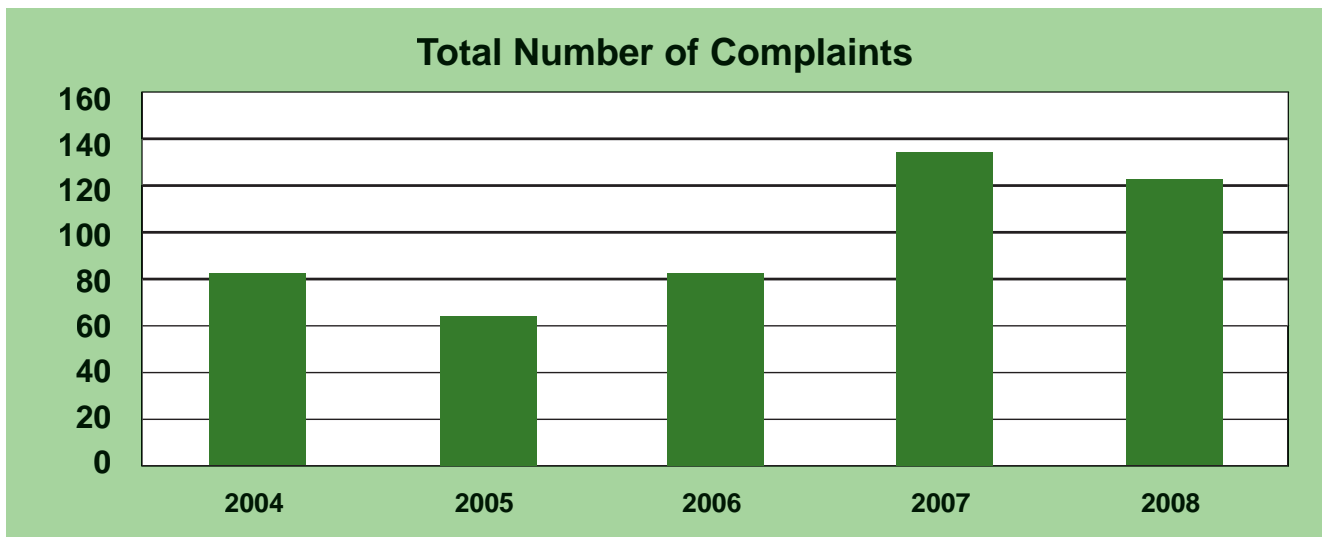
On October 1, 2007, a 36 percent annual percentage rate cap took effect for all loans made to military borrowers. This cap was mandated by the Talent-Nelson Amendment of the John Warner National Defense Authorization Act of 2007. Due to this cap, the majority of the payday lenders in Washington State have ceased lending to military borrowers. The number of military borrowers has decreased 92 percent, from 11,650 in 2006, to 868 in 2008.



## 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.

2004	.....	82 complaints
2005	.....	64 complaints
2006	.....	82 complaints
2007	.....	134 complaints
2008	.....	123 complaints



## Loan Frequency 2008 Military Borrowers

(90% 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	195	22.47%	195	3.78%
2 Times	111	12.79%	222	4.31%
3 Times	92	10.60%	276	5.35%
4 Times	68	7.83%	272	5.28%
5 Times	55	6.34%	275	5.33%
6 Times	47	5.41%	282	5.47%
7 Times	45	5.18%	315	6.11%
8 Times	41	4.72%	328	6.36%
9 Times	29	3.34%	261	5.06%
10 Times	29	3.34%	290	5.62%
11 Times	32	3.69%	352	6.83%
12 Times	35	4.03%	420	8.15%
13 Times	17	1.96%	221	4.29%
14 Times	4	0.46%	56	1.09%
15 Times	8	0.92%	120	2.33%
16 Times	5	0.58%	80	1.55%
17 Times	5	0.58%	85	1.65%
18 Times	7	0.81%	126	2.44%
19 Times	6	0.69%	114	2.21%
20 Times	6	0.69%	120	2.33%
21 Times	2	0.23%	42	0.81%
22 Times	4	0.46%	88	1.71%
23 Times	5	0.58%	115	2.23%
24 Times	7	0.81%	168	3.26%
25 Times	6	0.69%	150	2.91%
26 Times	6	0.69%	156	3.03%
27 Times	1	0.12%	27	0.52%



## Loan Frequency 2008 Military Borrowers, continued

(90% 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
28 Times	0	0.00%	0	0.00%
29 Times	0	0.00%	0	0.00%
30 Times	0	0.00%	0	0.00%
31 Times	0	0.00%	0	0.00%
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	0	0.00%	0	0.00%
36 Times	0	0.00%	0	0.00%
37 Times	0	0.00%	0	0.00%
38 Times	0	0.00%	0	0.00%
39 Times	0	0.00%	0	0.00%
40 Times	0	0.00%	0	0.00%
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	0	0.00%	0	0.00%
<b>TOTAL</b>	<b>868</b>	<b>100.00%</b>	<b>5,156</b>	<b>100.00%</b>



## 2008 Payday Lending Report

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