



# 2012 PAYDAY LENDING REPORT

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### THE DEPARTMENT OF FINANCIAL INSTITUTIONS

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### WASHINGTON STATE PAYDAY

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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 on page 3 represents data reported to DFI from all payday lending licensees for calendar year 2012.

## 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?		Example:
Maximum Loan Term:	45 days	A loan for \$500 + \$75 fee = \$575
Maximum Loan Amount:	\$700	A loan for \$700 + \$95 fee = \$795
Maximum Fee:	15% on the first \$500 10% above \$500	

## INSTALLMENT PLANS

Beginning January 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.

The number of payday lending locations decreased 40% from year-end 2010 to year-end 2011, and decreased another 21% from year-end 2011 to year-end 2012. Overall, the number of payday lending locations has decreased 73% since its height in 2006.

## NUMBER OF LICENSED PAYDAY LENDERS

Washington State Payday Lending Industry

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Companies	125	131	130	138	133	109	85	68	52
Branches	465	585	612	591	584	494	339	188	151
<b>Total</b>	<b>590</b>	<b>716</b>	<b>742</b>	<b>729</b>	<b>717</b>	<b>603</b>	<b>424</b>	<b>256</b>	<b>203</b>

The statistics presented on pages 3-6 represent data on all payday lending licensees for calendar year 2012.

**PAYDAY LOAN HISTORICAL DATA**

**Washington State Payday Lending Industry**

Year	Small Loans Made	Total Amount of Small Loans
2004	3,297,012	\$1,238,488,278
2005	3,595,873	\$1,382,132,283
2006	3,503,721	\$1,330,738,136
2007	3,265,621	\$1,291,212,797
2008	3,196,712	\$1,310,540,280
2009	3,244,024	\$1,336,028,845
2010	1,093,776	\$434,111,743
2011	855,829	\$326,673,119
2012	909,570	\$342,989,751

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

Washington State Payday Lending Industry



When measured in dollars, payday lending is a \$343 million industry.

**2012 PAYDAY LOAN ANALYSIS**

**Washington State Payday Lending Industry**

Washington State Payday Lending Industry	2012
Volume of Payday Loans	\$342,989,751
Number of Payday Loans	909,570
Average Payday Loan Amount	377.09

The average payday loan in 2012 was \$377, compared to \$382 in 2011.

## 2012 PAYDAY LOAN FEE ANALYSIS

### Washington State Payday Lending Industry

Washington State Payday Lending Industry	2012
Total Payday Loan Fees	4,9107,684
Number of Payday Loans	909,570
Average Payday Loan Fee	\$53.99

*The average payday loan fee in 2012 was \$54, compared to \$55 in 2011.*

## 2012 BORROWER INCOME

Washington State Payday Lending Industry	Average Monthly Income*
WA Average Customer Income for 2012	\$2,859

*\* Monthly income for customers is based on the most recent update to customer income in the Veritec database during 2012 and does not necessarily reflect monthly income at the time transactions were opened.*

## 2012 BORROWER AGES

Age Category	% of Customers	% of Transactions
18-24	11.3%	9.4%
25-34	25.7%	23.6%
35-44	22.9%	22.9%
45-54	20.6%	21.9%
55-64	13.4%	15.0%
65 or over	6.1%	7.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

*The average age of customers conducting transactions during the period was 42.9 years*

## WASHINGTON STATE PAYDAY LENDING INDUSTRY

### BORROWER FREQUENCY

Borrowers are limited to eight loans in any twelve-month period from all lenders. This limit is enforced by an external electronic database to which all licensees are required to report all small loans.

Washington State Payday Lending Industry	2012
Number of Unique Customers	236,538
Number of Customers that Reached 8-Loan Limit	65,938
Percentage of Borrowers that Took out the Maximum Number of Loans	27.88%

### INSTALLMENT PLAN USAGE

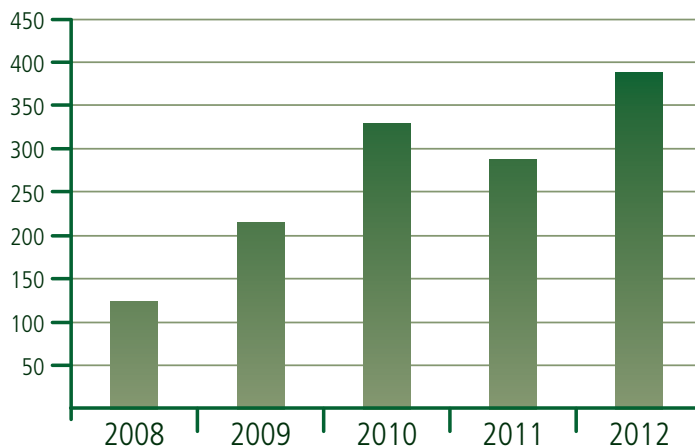
Borrowers are entitled to an installment loan at any time prior to default. Borrowers do not have to pay a fee for the installment plan and have from 90 to 180 days (depending on the original loan amount) to repay the loan in a series of installments. In 2011 9.52% of small loans were converted to installment plans. In 2010 13.35% of small loans were converted to installment plans.

Washington State Payday Lending Industry	2012
Number of Small Loans Made	909,570
Number of Small Loans Converted to Installment Plan	87,674
Percentage of Small Loans that were converted to an installment plan	9.64%

### 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.



**2008 - 123 complaints**

**2009 - 216 complaints**

**2010 - 324 complaints**

**2011 - 286 complaints**

**2012 - 388 complaints\***

*\*Of the 388 complaints received in 2012, 297 were against online payday lenders*

The Department collected additional required statistics from six licensees with more than \$10 million in loans. In addition, ten licensees provided this data voluntarily. The information featured on this page represents responses from these 16 companies, which make up 97.2% of the loan volume. These companies range in size from \$4,900 - \$203,260,430 in annual loan volume.

### PAYDAY LOAN ANALYSIS OF 16 COMPANIES

(97.2% of the state's payday lending market)

Volume of Payday Loans	\$333,389,451
Number of Payday Loans	867,318
Average Payday Loan Amount	\$384.39

### AVERAGE LENGTH OF PAYDAY LOANS

(97.2% of the state's payday lending market)

The average length of a payday loan in 2012 among the 16 companies was 26.7 days; slightly less than the 2011 average length of 28.7 days.

1-7 days	0.02%
8-14 days	14.88%
15-21 days	21.53%
22-31 days	20.62%
32+ days	42.95%

### BORROWING FREQUENCY COMPARISON

(Sampling of the state's payday lending statistics in 2010, 2011, and 2012)

No. 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%
2012 Percent of Total Borrowers	25.11%	17.03%	13.21%	10.95%	8.97%	7.50%	7.42%	9.80%



The tables on this page capture loan frequency data as the number of loans each individual borrowed during the year. For example, 40,698 borrowers entered into loan transactions with a lender two times in 2012 for a total of 81,396 loans in this category (40,698 x 2 = 81,396).

### FREQUENCY 2012 AMONG ALL LICENSEE (per Veritec data)

Annual Loan Frequency	Total Borrowers	% Total Borrowers	Total Number of Loans	% of Total Loans
1 Time	51,688	21.85%	51,688	5.68%
2 Times	39,064	16.51%	78,128	8.59%
3 Times	31,568	13.35%	94,704	10.41%
4 Times	26,121	11.04%	104,484	11.49%
5 Times	22,071	9.33%	110,355	12.13%
6 Times	19,159	8.10%	114,954	12.64%
7 Times	19,713	8.33%	137,991	15.17%
8 Times	27,154	11.48%	217,232	23.88%
<b>TOTAL</b>	<b>236,538</b>	<b>100.00%</b>	<b>909,536</b>	<b>100.00%</b>

### DEFAULT INFORMATION

Report Period *	# Borrowers with a Default	# Borrowers with a Default that has not been Reversed **
2010	72,563	71,997
2011	60,863	60,628
2012	54,031	53,667
Inception thru 2012	154,949	154,102

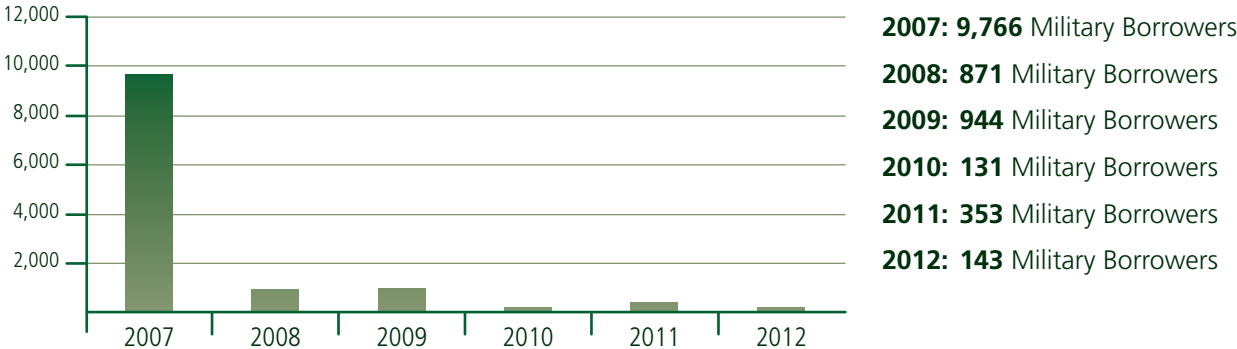
\* Based on the date a "default event" was added to the database. \*\* As of July 2013.



### MILITARY BORROWERS

On October 1, 2007, a 36 percent annual percentage rate cap took effect for all payday loans made to military borrowers on active duty. 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 numbers below represent military personnel who are not on active duty.

**Number of Military Borrowers**





**The Washington State Department  
of Financial Institutions**

P.O. Box 41200  
Olympia, WA 98504-1200

360.902.8700 (phone)

[www.dfi.wa.gov](http://www.dfi.wa.gov)

360.586.5068 (fax)

En Español: 1.888.976.4422