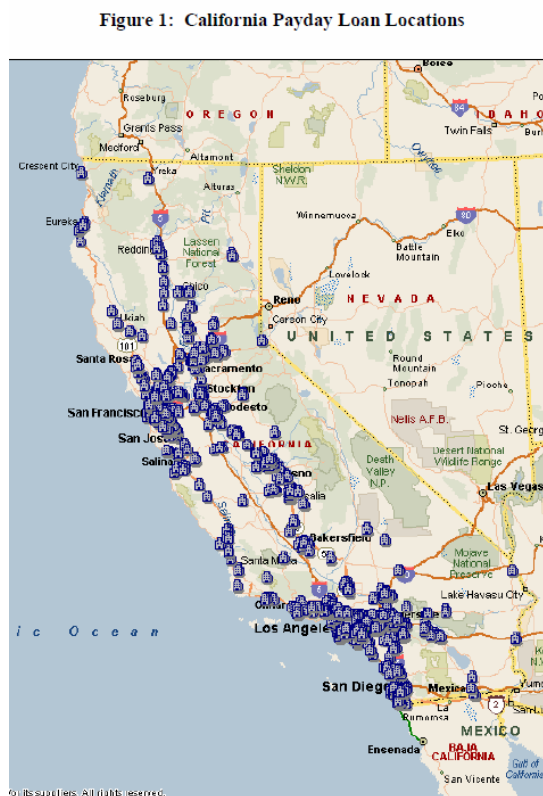
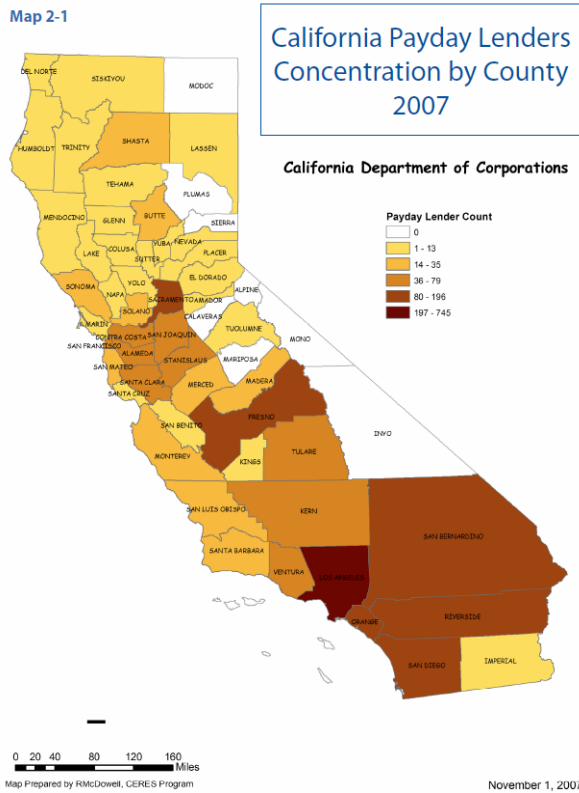


The report, “Predatory Profiling,” by the Center for Responsible Lending creates a misleading picture of the payday lending industry in California and the customers it serves. There exists no primary data or statistical evidence to make the claims and conclusions made in the report. While the Center for Responsible Lending assigns labels to payday lending customers in an attempt to further its political agenda, the fact is payday lenders provide short-term credit to a broad cross section of Californians because there is widespread demand for the financial service.

Previous similar reports by the Center for Responsible Lending have been debunked.<sup>123</sup>

**Here are the facts:**

- Payday lenders locate in population centers, convenient locations where customers live, work and shop.** Los Angeles, San Diego and Orange Counties (in order) have the highest populations. Not surprisingly, those three counties also have the highest number of payday lenders. It makes sense that Los Angeles has the most payday lenders, as the population of Los Angeles is more than twice the population of any other city in California. The California Department of Corporations (DOC) charts below detail the locations of payday lenders, and payday lending customers, in California. As is the case with any business, where there are more people, there are more payday lenders.



<sup>1</sup> [Faulty Research Methods Discredit Center for Responsible Lending’s “Race Matters” Report](#)  
<sup>2</sup> [Veritec Analysis of High-Cost Payday Lending Traps Arizona Borrowers](#)  
<sup>3</sup> [Veritec Analysis of third party payday lending report](#)

- **Payday lending customers represent a broad cross section of citizens.** This report comes on the heels of prior allegations (all based on store locations) that payday lenders locate in communities with high populations of military, women, the elderly, recent immigrants, young people, Christian conservatives, social security recipients, veterans, the poor, credit union customers and households with a median annual income of \$48,000. A *BusinessWeek* article said payday lenders have begun to target “affluent neighborhoods.”
- **CRL claims that lenders “strip” California’s of \$450 million in fees, but fails to mention what alternative short-term credit options would cost.** In 2007, California’s payday lenders provided more than \$2.5 billion in credit to hard-working, middle income customers.<sup>4</sup> To put the fees in perspective, Californian’s paid more than \$4.07 billion in non-sufficient funds and overdraft protection fees in 2008.<sup>5</sup>
- **Payday lending customers like and appreciate having payday loans as an option.** The California DOC confirms that, out of the 1.4 million customers who used payday advances in 2007, they have “not received consumer complaints involving payday lenders in any substantial amount, especially in the context of the number of licensed locations and number of deferred deposit transactions made in California...the Department received 66 written complaints against payday lenders. With approximately 10 million transactions occurring each year, this complaint volume is very low.” The most common complaint was against unlicensed payday lenders, located in other states and even in other countries.<sup>6</sup>
- **The vast majority of payday lending customers payback their loans when due.** According to the California DOC, “the industry experiences a relatively small amount of charge-offs, roughly 3% of overall annualized volume.”<sup>7</sup> The fact is undisputable: the overwhelming majority of payday advance customers repay their debt when due.
- **Payday lending customers use the product as intended to cover unexpected or unbudgeted expenses between paychecks.** Research from Gregory Elliehausen, Division of Research and Statistics, Board of Governors of the Federal Reserve System and Financial Services Research Program, The George Washington University School of Business found that “Most payday loan customers had relatively short sequences of consecutive loans (which include a new loan and subsequent renewals).” He also concluded that “Frequent use is not necessarily evidence of a debt trap, however. If payday loan customers live from paycheck to paycheck with very little discretionary income, even small expenses may cause financial problems and make emergencies a frequent event. In such cases, even frequent use of payday loans may be better than the alternatives.”<sup>8</sup>

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<sup>4</sup> Report to the Governor and the Legislature, California Deferred Deposit Transaction Law, California Department of Corporations, December 2007

<sup>5</sup> [Bretton Woods 2008 NSF/ODP fee analysis report](#)

<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>8</sup> [“An analysis of Consumers’ Use of Payday Loans”](#)

## Who borrows from payday lenders? Look at what the experts say.

### Federal Reserve Board <sup>9</sup>

- A very small percentage of U.S. families [2.4%] have used a payday loan
- Younger families are more likely to use payday loans
- Families use payday loans for emergencies or other urgent needs
- Payday loans are used most often by low and middle income families

### National Association of Community Credit Unions <sup>10</sup>

“A popular myth is that customers of payday lenders are either low-income or desperate people in need of a quick financial fix. Some of the customers fit that category, but a closer look at the customer profile serves to dispel the stereotype.”

### Gregory Elliehausen, Division of Research and Statistics, Board of Governors of the Federal Reserve System and Financial Services Research Program, The George Washington University School of Business<sup>11</sup>

- Skew young; 63% have children at home
- Have lower and middle incomes; 41% earn between \$25,000 and \$50,000; 39% report incomes of \$40,000 or more
- Are educated; 90% have a high school diploma or better, with 54% having some college or a degree
- Have limited liquid assets and savings, most use other forms of credit
- Have characteristics that may limit their access to credit
- Use payday loans moderately, as intended for short-term use
- Are aware of the cost of their most recent payday loan
- Consider the alternatives, are satisfied with their decision
- Benefit by having access to payday loans

### Tom Lehman, Ph.D., adjunct scholar of the Indiana Policy Review Foundation and professor of economics at Indiana Wesleyan University <sup>12</sup>

“The “typical” payday loan customer does not differ greatly from the average American consumer, and almost always has a legitimate reason for using payday loans to cover an emergency cash shortfall.”

### Mark Flannery and Katherine Samolyk, for the FDIC’s Center for Financial Research <sup>13</sup>

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<sup>9</sup> [“Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances”](#)

<sup>10</sup> [“Credit Union Payday Loan Alternatives,”](#)

<sup>11</sup> [“An analysis of Consumers’ Use of Payday Loans”](#)

<sup>12</sup> [“Payday Lending and Public Policy: What Elected Officials Should Know”](#)

<sup>13</sup> [“Payday Lending: Do the Costs Justify the Price?”](#)

“In terms of relative income, the average store (in all age groups) is located in a zip code that has median income somewhat below (94–98% of) the median income of its broader MSA (or non-MSA region). This is in the range generally considered ‘middle income.’”