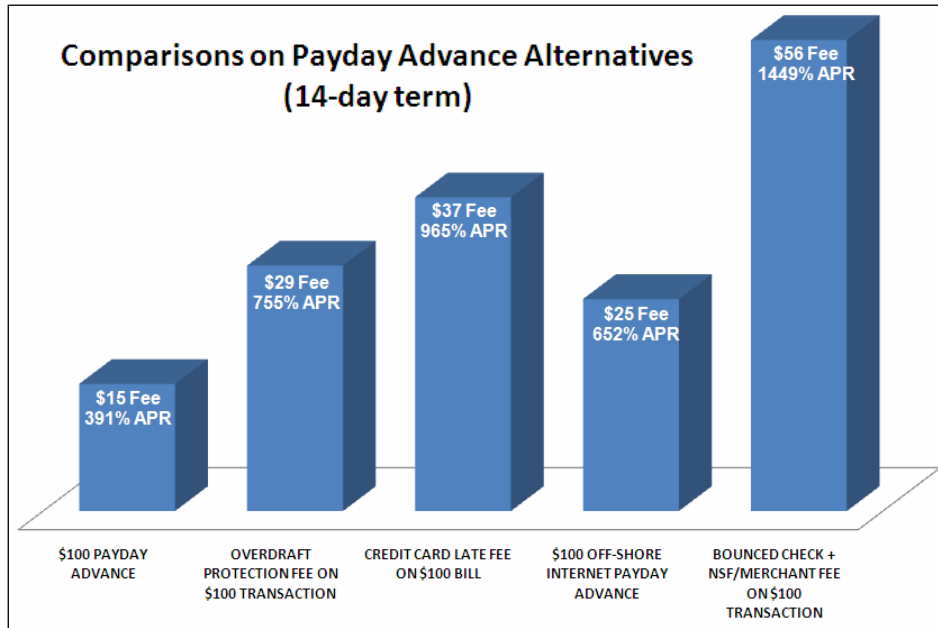


Payday Advance: A Cost Comparison of the Alternatives

Consumer groups and academic researchers agree: Payday advance fees are lower than many of consumers' alternatives, even when expressed as an annual percentage rate (APR).¹



Jonathan Zinman, Dartmouth College: "Most substitution seems to occur through checking account overdrafts of various types and/or late bills. These alternative sources of liquidity can be quite costly in both direct terms (overdraft and late fees) and indirect terms (eventual loss of checking account, criminal charges, utility shutoff)."²

Sheila Bair, Current Chair, FDIC: "When used on a recurring basis for small amounts, the annualized percentage rate for fee-based bounce [overdraft] protection far exceeds the APRs associated with payday loans."³

Federal Deposit Insurance Corporation: "...a customer repaying a \$20 POS/debit overdraft in two weeks would incur an APR of 3,520%; a customer repaying a \$60 ATM overdraft in two weeks would incur an APR of 1,173%; and a customer repaying a \$66 check overdraft in two weeks would incur an APR of 1,067%."⁴

Coalition of 90 Consumer Groups: "Unlike payday lending programs, the extraordinarily high APRs in fee-based overdraft programs are never disclosed as such, and none of the other consumer protections are provided. Moreover, fee-based overdraft programs are aimed at the very same customers that payday lenders are seeking...and the costs rival or exceed those of payday lending."⁵

Jean Ann Fox, Consumer Federation of America: "If a bank lends you \$100 and charges you a \$20 fee -- and then you pay the money back in two weeks -- that's an annualized interest rate of 520%. It's worse than a payday loan."⁶

¹ Chart Sources: Community Financial Services Association of America; Bankrate.com; Government Accountability Office; mypaydayloan.com

² "Restricting Consumer Credit Access: Household Survey Evidence on Effects Around the Oregon Rate Cap.", Dartmouth College, Jonathan Zinman, Oct 2008

³ "Low-Cost Payday Loans: Opportunities and Obstacles", Annie E. Casey Foundation, May 2005

⁴ FDIC Study of Bank Overdraft Programs, Federal Deposit Insurance Corporation, November 2008

⁵ Comment letter to Board of Governors of the Federal Reserve System from 90 consumer group organizational signatories, January 27, 2003

⁶ "Banks: 'Protection' Racket?" Business Week, May 2, 2005