



Short-term Credit and Payday Loans: *A Look at Low-Income Texas Consumers*

Payday Loan Borrowers: Industry Data

Average borrowers:

38 years old, with income of \$40,000

49% homeowner

87% have a high school education.

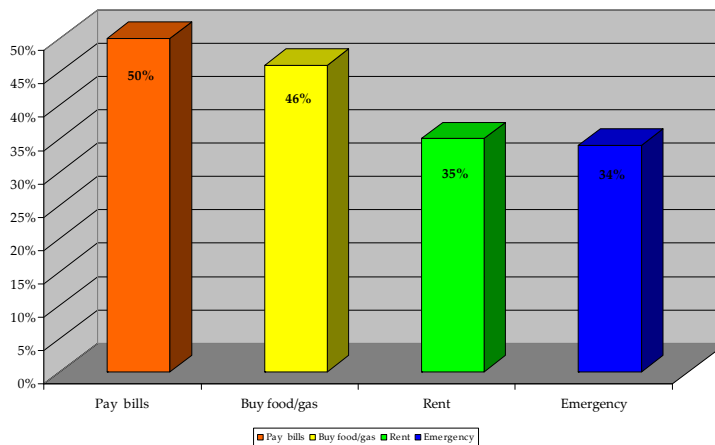
- Top reasons consumers choose payday lenders: location, customer service, convenience, speed, and confidentiality
- Payday Loans are designed to help people with unexpected expenditures.

Survey of Low-Income Texans

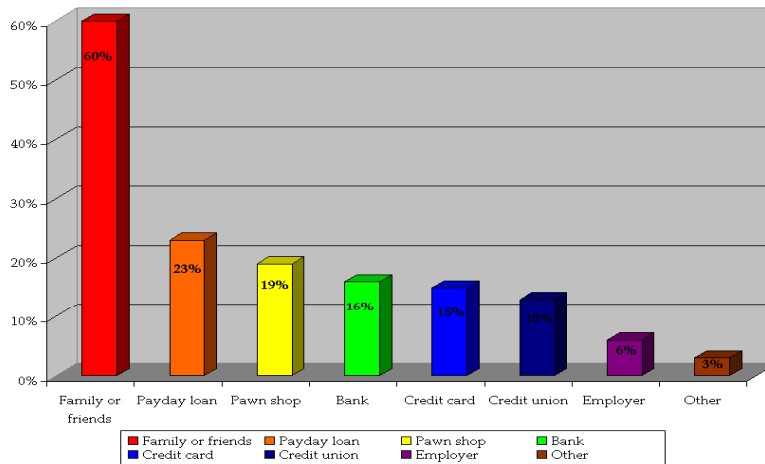
- 521 surveys were collected in Houston, Dallas, and San Antonio.
- Incomes under \$50,000/year.
- Surveys included general questions about needs for short-term loans followed by questions about payday borrowing.
- 23% indicated using payday loans.



Why Do You Need "Quick Cash"?



Where Do You Go for Quick Cash?



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Payday Borrowers

- Payday borrowers:
 - 45% used payday loans more than 1 time/year
 - 9% used payday loans at least once per month

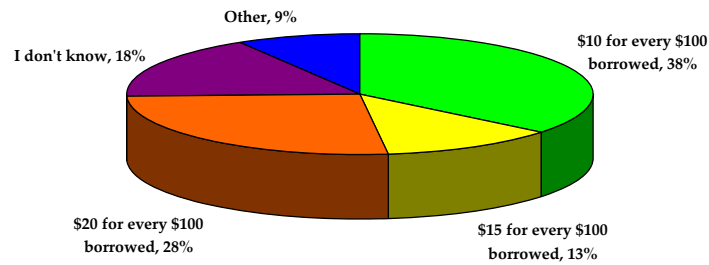
Why Do You Use a Payday Lender?

Reason	Percent
It's quick and easy	58%
I have tried to use my bank or credit union, but couldn't get the money I needed	40%
No credit check	35%
It's private - No questions are asked	27%
The store I go to is friendly and helpful	23%
My credit cards are maxed out	18%
No hassle - don't need many ID's	11%
Other	1%

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Cost of Loans

Consumer Perceptions of Loan Costs



Rollovers and Complaints

Rollovers:

- 58% rollover
- 24% rollover often

13% Complaints:

Top issues for those with complaints:

- 50% Harassed in debt collection
- 58% Had to close bank account to resolve problem.



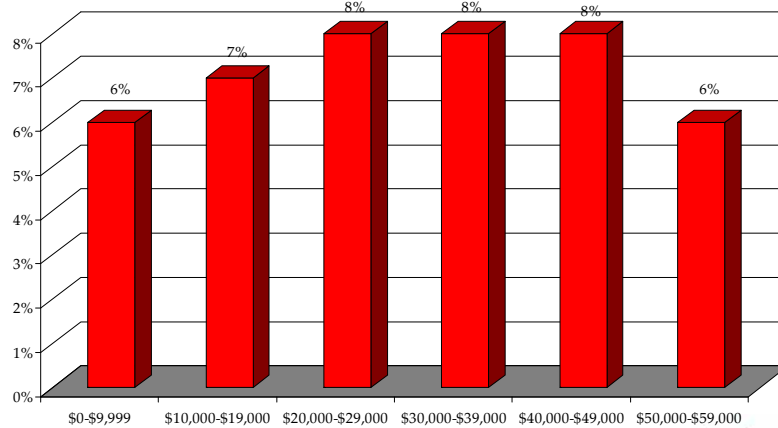
Demographic Make up of Payday Borrowers

- In Austin, 585 surveys from payday borrowers, with demographic information.
- 13% of Austin respondents use payday loans.
- Payday borrowers most prevalent in 30-39 year old age group.
- Borrowers mostly female—59%.

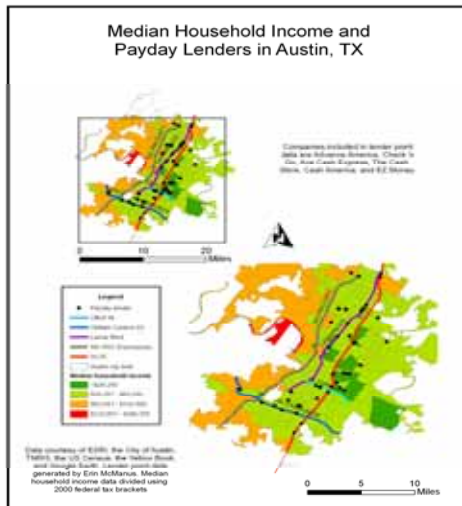


Income

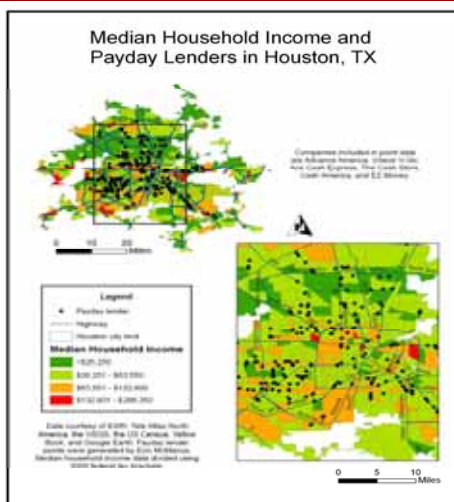
Percent of Each Income Group Utilizing Payday Loans



Payday Lender Location by Median Household Income



Houston Map



Other Findings

- Single mothers most likely to use payday loans—10% of surveyed single mothers compared with 8% of single women and 7% of single men. Married least likely to use payday loans.
- African Americans were most likely to use payday loans—11% of total African American survey respondents compared with 7% Caucasian and 6% Latino.
- Renters more likely to use payday loans than homeowners and to use them more often.
- 42% of the payday loan borrowers receive the Earned Income Tax Credit.



Conclusion

1. Payday loans are used by low-income families --not only middle income.
2. Payday loans are used most often for basic needs--rather than emergencies.
3. Bank/Credit Union rejection plays an important role in consumer choice to use payday loans.
4. Low-income payday loan users are predominantly renters.
5. EITC recipients comprise a high percentage of low-income payday loan users.



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