

# COALITION FOR RESPONSIBLE LENDING

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## Facts About the Georgetown CRC Study “Payday Advance Credit in America”

July 1, 2002

Funded by<sup>1</sup> and produced in close collaboration with the payday industry trade group, the Georgetown Credit Research Center study not surprisingly attempts to put the best face on the abusive practices of payday lenders.<sup>2</sup> Below are a few facts about the study not mentioned by the payday lending industry.

**The overwhelming majority of payday loan borrowers do not want to talk about their situation or even admit that they have had a payday loan.** The Georgetown Study investigators attempted to interview 5,400 people who had taken out payday loans.

- ❑ 80% of the people contacted either refused to acknowledge they ever had a payday loan or refused to be interviewed.<sup>3</sup>
- ❑ Almost twice as many payday loan borrowers (726) denied they had a payday loan as completed the interview (427).<sup>4</sup>
- ❑ The study’s findings are based on the views of only 427 of the original 5,400 payday borrowers.

If the Georgetown Study proves anything, it proves that payday borrowers do not want to talk about their experience with payday lenders.

**Payday loan borrowers want the government to limit rates on payday loans.**

- ❑ 75% of borrowers interviewed believe “the government should limit the fees charged by payday advance companies.”<sup>5</sup>
- ❑ 72% of borrowers interviewed believe “the government should limit the interest rates that lenders can charge even if it means that fewer consumers will be able to get credit.”<sup>6</sup>

**Many borrowers drastically misunderstood the cost of the money borrowed.**

- ❑ Over 40% of borrowers believe payday loan rates are less than 30% APR,<sup>7</sup> not much more than a credit card rate. In fact, payday loans rates are typically about 400% APR, over 13 times what these borrowers thought.

**The Georgetown study shows that extensions and the use of multiple payday lenders are common.**

- ❑ Payday customers use an average of 1.7 payday lenders per year. <sup>8</sup> Given that NC borrowers average 8 payday loans from a single lender<sup>9</sup>, the average NC borrower took out 14 payday loans in 2000.

**The Georgetown study acknowledges that deferred deposit transactions are loans.**

- ❑ “The payday advance transaction clearly is a consumer credit transaction.”<sup>10</sup>

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<sup>1</sup> Payday Advance Credit in America, Gregory Elliehausen and Edward C. Lawrence, Credit Research Center, April 2001, (Georgetown Study) p. iii. “This project was supported, in part, by a grant from the Community Financial Services Association of America.”

<sup>2</sup> The Credit Research Center has produced studies supporting single-premium credit insurance (which is banned on North Carolina home loans) and criticizing North Carolina’s predatory mortgage lending law.

<sup>3</sup> Georgetown Study, p. 21-22.

<sup>4</sup> Georgetown Study, p. 21.

<sup>5</sup> Georgetown Study, p. 35.

<sup>6</sup> Georgetown Study, p. 34.

<sup>7</sup> Georgetown Study, p. 49.

<sup>8</sup> Georgetown Study, p. 39.

<sup>9</sup> NC Commissioner of Banks 2000 Annual Report of Check Cashing Businesses.

<sup>10</sup> Georgetown Study, p. 11.