



STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES

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January 5, 2006

Re: Payday Lending Report Statistics & Trends 2004

Dear Licensees:

Following is the Department of Financial Institution's 2004 report on statistics and trends for the payday lending industry. This report is in a format very similar to our 2003 report. Again, much of this information is based on voluntary reporting by a substantial portion of the industry (66%); a significant increase from 55% in 2005. Mandatory reporting under the rules will not take effect until 2007 for the 2006 reporting year. This means that in 2006, we will again request voluntary reporting from our licensees for the 2006 reporting year.

This year's report is divided into two sections. Pages one and two contain information for the entire industry. These pages provide an updated overview of the size of the industry in terms of transactions, dollars, retail locations and fees collected on payday loans. New this year is information on the number of payment plans entered by borrowers in the first full year of payment plan implementation under amended RCW 31.45.

Pages three and four contain information on borrowing habits from the voluntary industry sample (66% of the industry by dollars of loans). Included here is the average length of a payday loan and the number of times per year consumers borrowed from payday lenders (referred to as "borrowing frequency").

Sincerely,

Chuck Cross
Division Director

Payday Lending Report

Statistics & Trends 2004



The purpose of this report on the 2004 data collected from the payday lending industry in Washington State is designed to educate and inform policy makers, regulatory bodies, and other interested groups.

The payday lending industry is a rapidly growing segment of the financial services industry. The market has more than doubled in the past four years. When measured in dollars, payday lending is a \$1.2 billion industry.

In 2004, more than **3 million loans** were made to consumers -- an **80% increase** over 2000.

2004 Payday Loan Analysis: Washington Payday Lending Industry

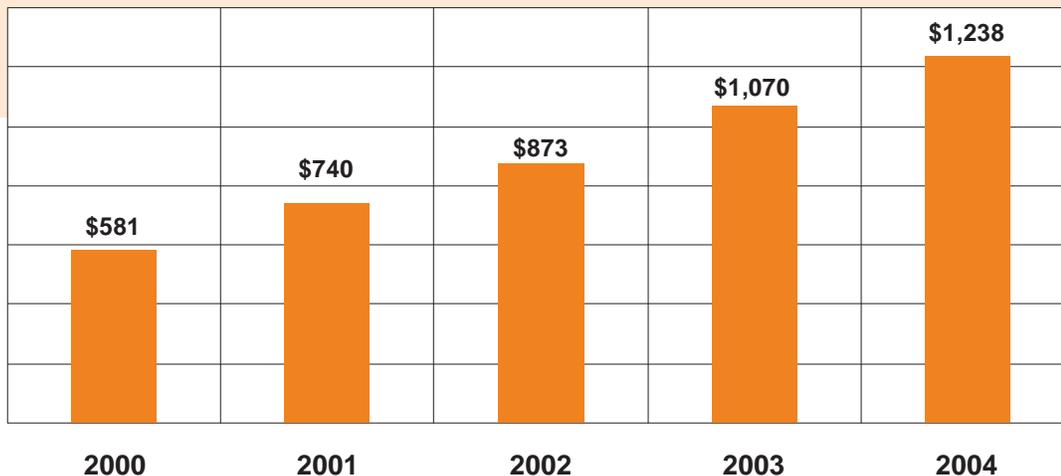
Volume of Payday Loans	\$1,238,488,278
Number of Payday Loans	3,297,012
Average Payday Loan Amount	\$ 375.64

In terms of dollars of loans made, the market has **increased 113%** since 2000.

Washington Payday Lending Industry Historical Data

	2000	2001	2002	2003	2004
Companies	90	96	110	124	125
Branch Offices	287	286	317	378	465
Small Loans Made	1,832,782	2,186,333	2,337,359	2,983,477	3,297,012
Total Amount of Small Loans	\$580,535,734	\$739,540,654	\$873,339,989	\$1,069,695,069	\$1,238,488,278

Total Payday Loans Made In Washington (Measured in Millions of Dollars)



Washington consumers paid **\$164 million** in payday loan fees in 2004.

2004 Payday Loan Fee Analysis: Washington Payday Lending Industry

Total Payday Loan Fees	\$164,161,648
Number of Payday Loans	3,297,012
Average Payday Loan Fee	\$49.79

In 2003, Substitute Senate Bill 5452 updated the payday lending laws (RCW 31.45). Among the amendments, consumers may negotiate a payment plan after four successive loans with the same company. A payment plan is authorized to allow borrowers the opportunity to payoff their loan in a series of installments.

2004 Payment Plan Use: Washington Payday Lending Industry

Number of borrowers who entered into payment plans *	18,396
Payment plan as a percent of estimated borrowers	4.3%

* Borrower estimates were not reported for all companies in 2004. Estimate is extrapolated from DFI's 2004 voluntary survey of 66% of the industry. This number does not take into account that each borrower may have entered into more than one payment plan during the time period.

The following charts reflect statistics reported from six payday loan companies. This represents 66% of the payday lending volume (calculated by total dollar amount of loans) in Washington for 2004.

Average Length of Payday Loan Term: the number of loans made for specific lending time periods in increments of days and the average number of days for a payday loan in 2004.

Average Length of Loan Term by % of total volume: 2004
Represents approximately 66% of the State's payday lending market

1-7 Days	8.85%
8-14 Days	42.84%
15-21 Days	37.5%
22-31 Days	7.83%
32-More Days	2.98%

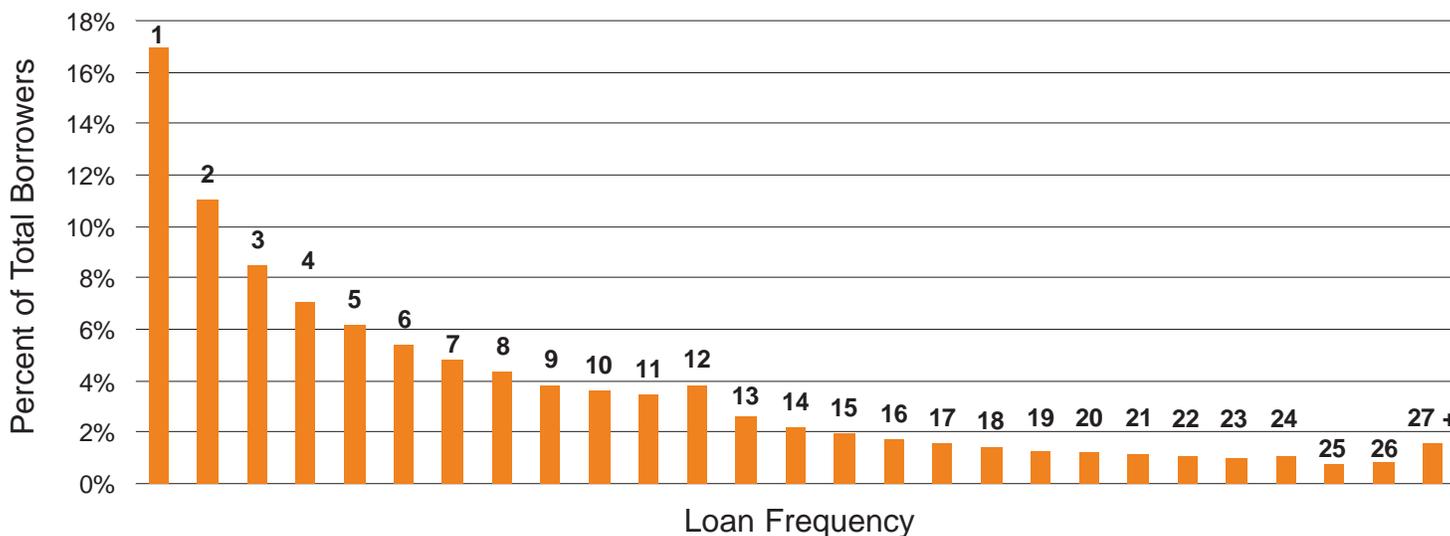
The average length of a payday loan in 2004 among the six loan companies was **17.9 days**.

Average Length of Payday Loan	17.9 Days
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Borrowing Frequency: the number of times total borrowers received payday loans during the calendar year.

Borrowing Frequency: 2004

Represents approximately 66% of the State's payday lending market



This table captures loan frequency data as the number of loans each individual borrowed during the year. For example, 31,504 borrowers entered into loan transactions with a lender two times in 2004 for a total of 63,008 loans in this category (31,504 x 2 = 63,008).

Two lenders (representing 46% of the market) identify a significant amount of their loans as "add-on" amounts to existing loans. While this does not affect the number of loans actually made, the lenders argue that borrowers using add-on loans are more likely to appear to be in a long-term cycle of debt. For example, a borrower may have the following borrowing scenario:

- Loan 1: June 1
- \$100 due June 15
- Loan 2: June 2
- \$100 due June 15
- Loan 3: June 8
- \$100 due June 15
- Loan 4: June 10
- \$100 due June 15
- Loan 5: June 13
- \$100 due June 15

A borrower repeating this cycle every three months will show in the 20 loan frequency category and may give the impression that he/she was in a cycle of loans lasting 40 weeks, or ten months.

* The data fairly represents the number of loans made to borrowers one through 26 times per year. However, due to an assumption that lenders provided no more than 27 loans per year, the data may be a conservative representation for the 27 or more category. For example, if half of the 4,402 borrowers in this category actually borrowed 28 times, then the total number of loans borrowed 27 times or more would be 121,055 rather than 118,854.

Payday Loan Frequency: 2004

Represents approximately 66% of the State's payday lending market

Annual Loan Frequency	Total Borrowers	% of Total Borrowers	Total Number of Loans	% of Total Loan
1 Time	48,387	16.97%	48,387	2.19
2 Times	31,504	11.05%	63,008	2.86
3 Times	24,169	8.48%	72,507	3.29
4 Times	20,144	7.07%	80,576	3.65
5 Times	17,457	6.12%	87,285	3.96
6 Times	15,301	5.37%	91,806	4.16
7 Times	13,623	4.78%	95,361	4.32
8 Times	12,384	4.34%	99,072	4.49
9 Times	10,826	3.80%	97,434	4.41
10 Times	10,223	3.59%	102,230	4.63
11 Times	9,738	3.42%	107,118	4.85
12 Times	10,877	3.82%	130,524	5.91
13 Times	7,540	2.65%	98,020	4.44
14 Times	6,204	2.18%	86,856	3.94
15 Times	5,481	1.92%	82,215	3.73
16 Times	4,908	1.72%	78,528	3.56
17 Times	4,400	1.54%	74,800	3.39
18 Times	4,004	1.40%	72,072	3.27
19 Times	3,741	1.31%	71,079	3.22
20 Times	3,349	1.17%	66,980	3.04
21 Times	3,159	1.11%	66,339	3.01
22 Times	2,940	1.03%	64,680	2.93
23 Times	2,726	.96%	62,698	2.84
24 Times	3,039	1.07%	72,936	3.30
25 Times	2,140	.75%	53,500	2.42
26 Times	2,386	.84%	62,036	2.81
27 or More *	4,402	1.54%	118,854	5.39
Total	285,052	100%	2,206,901	100%



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