

# **Report on Virginia Payday Lending Activity For the Year Ending December 31, 2009**

Prepared by Veritec Solutions, LLC on behalf of the  
Bureau of Financial Institutions  
State Corporation Commission

# Report on Virginia Payday Lending Activity

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This Report was prepared pursuant to Chapters 849 and 876 of the 2008 Acts of Assembly, which directed the Bureau of Financial Institutions of the State Corporation Commission to report to the Chairmen of the House and Senate Commerce and Labor Committees regarding the utilization of payday loans, including patterns of repeat and consecutive borrowing, use of extended payment plans, compliance with restrictions on lending by licensees, and the effectiveness of the prohibitions on military lending, as soon as possible after the Bureau has received 12 months of data from the database provider.

## Report on Virginia Payday Lending Activity

### Program Statistics and Highlights

#### *Program Summary*

|  | 2009           | 2008*           | 2007*           | 2006*           | 2005*           |
|--|----------------|-----------------|-----------------|-----------------|-----------------|
| Total number of payday lender licensees operating at year end              | 48             | 69              | 84              | 84              | 83              |
| Total number of locations operated by payday lender licensees at year end. | ** 664         | 769             | 832             | 791             | 756             |
| Total number of payday loans made  | 459,916        | 3,378,047       | 3,537,395       | 3,593,401       | 3,372,103       |
| Total dollar amount of payday loans made                                   | \$ 170,450,511 | \$1,327,345,367 | \$1,357,007,451 | \$1,311,902,855 | \$1,197,105,829 |
| Average loan amount  | \$ 371         | \$ 340          | \$ 342          | \$ 365          | \$ 355          |
| Total number of individuals to whom payday loans were made                 | 168,337        | 437,025         | 449,860         | 433,537         | 445,891         |
| Average number of loans per borrower                                       | 2.7            | 7.7             | 7.9             | 8.3             | 7.6             |
| Average annual percentage rate charged on payday loans                     | 290            | 363             | 359             | 378             | 386             |
| Average term in days of payday loans made                                  | *** 38         | 16              | 16              | 15              | 15              |

\* The information listed above for calendar years 2005 through 2008 was obtained by the Bureau of Financial Institutions from the licensees' annual reports. The data listed for 2009 is the only data that was obtained through the database.

\*\* This includes locations with no activity and closed locations with restricted access for servicing of the remaining outstanding loans.

\*\*\* Based on loans that have been paid in full or closed in the database for administrative reasons.

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### ***Licensee Summary***

The number of active licensees has decreased by 29.41% during the period between January 2009 and December 2009.

|        | <b>Active Licensees</b> | <b>Overall Decrease</b> |
|--------|-------------------------|-------------------------|
| Jan-09 | 68                      |                         |
| Feb-09 | 65                      | -4.41%                  |
| Mar-09 | 65                      | -4.41%                  |
| Apr-09 | 58                      | -14.71%                 |
| May-09 | 55                      | -19.12%                 |
| Jun-09 | 52                      | -23.53%                 |
| Jun-09 | 52                      | -23.53%                 |
| Jul-09 | 50                      | -26.47%                 |
| Aug-09 | 49                      | -27.94%                 |
| Sep-09 | 48                      | -29.41%                 |
| Oct-09 | 48                      | -29.41%                 |
| Nov-09 | 47                      | -30.88%                 |
| Dec-09 | 48                      | -29.41%                 |

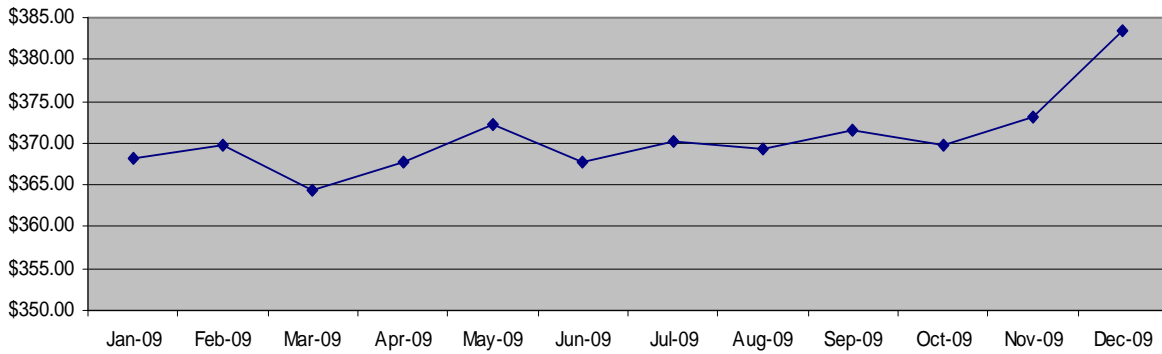
# Report on Virginia Payday Lending Activity

## ***Payday Loan Amounts, Fees and Averages***

The 459,916 payday loans made during the period between January 2009 and December 2009 represents a total advance amount of approximately \$170.5 million with total interest and loan fees of approximately \$40.3 million.

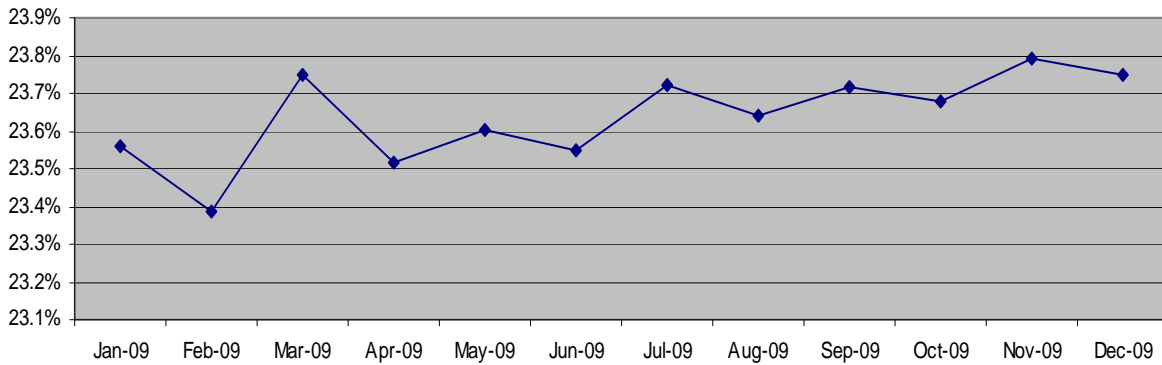
The average loan amount during 2009 was \$370.61.

**Average Loan Amount**



The average total fee (interest, loan fee and transaction fee) percentage was approximately 23.6% of payday loans made during the period between January 2009 and December 2009.

**Average Total Fee Percentage**

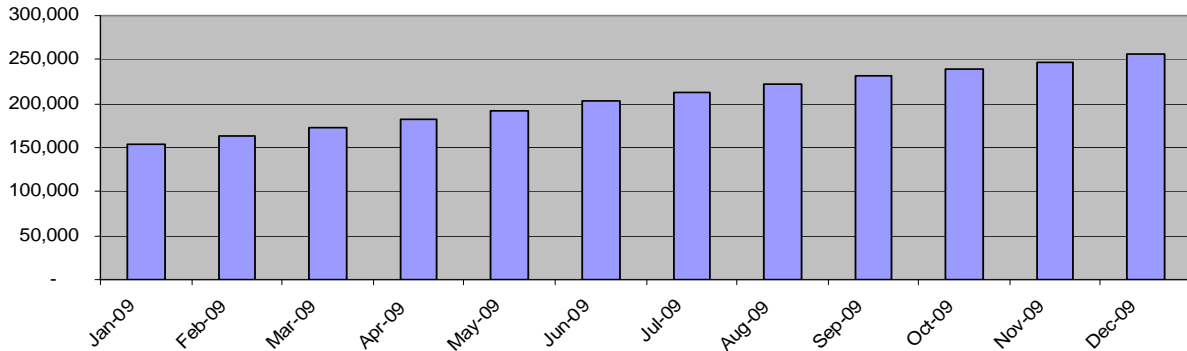


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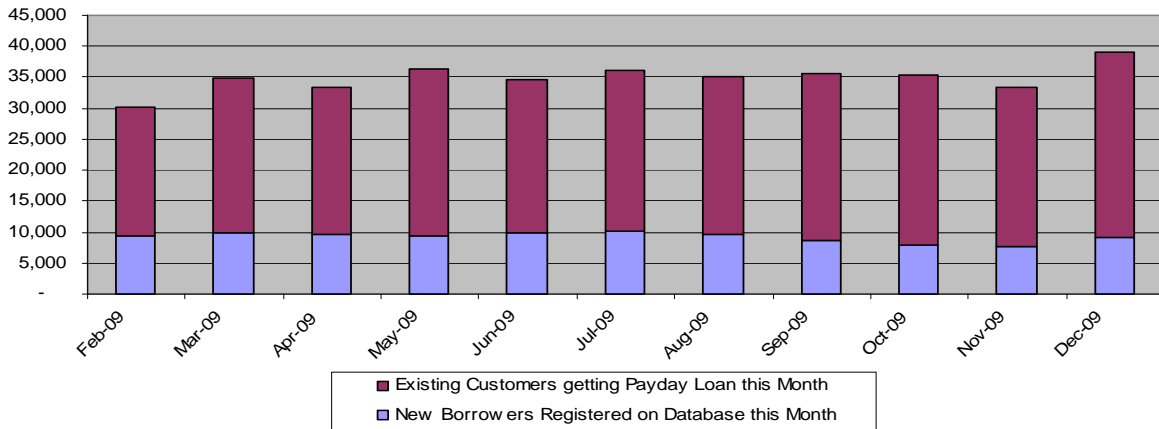
## Borrower Base

New borrowers represented approximately 26.5% of the total borrowers obtaining payday loans during the period between January 2009 and December 2009. Note: "New" borrowers are considered as those that had not previously been registered on the Database.

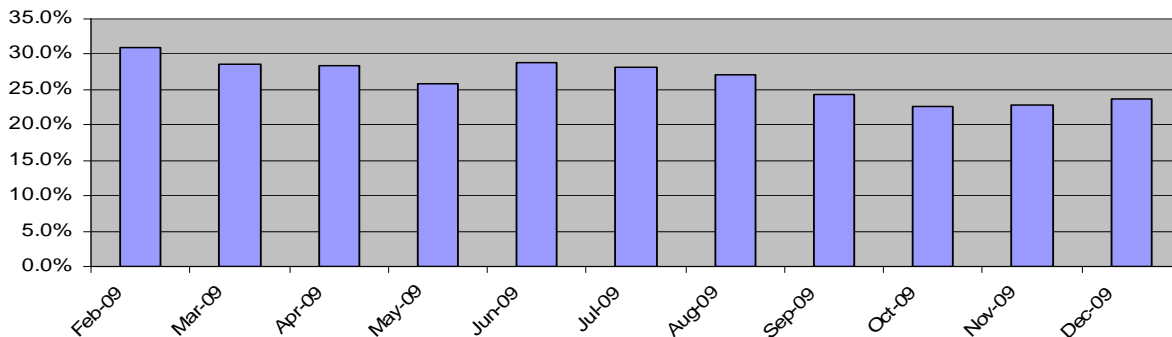
**Total Customers Registered on Database**



**Customers with Registered Payday Loans**



**Payday Loans by New Customers**



## Report on Virginia Payday Lending Activity

### ***Borrower Usage of Payday Loans and Licensees***

The average number of payday loans per borrower for the period between January 2009 and December 2009 was approximately 2.73 transactions. Approximately 90.0% of borrowers obtained 5 or fewer payday loans during the period.

| January 2009 through December 2009 |                   |                              |                  |
|------------------------------------|-------------------|------------------------------|------------------|
| Number of Loans                    | % Total Borrowers |                              | % of Total Loans |
| 1                                  | 38.7%             | <b>90 %<br/>of borrowers</b> | 14.2%            |
| 2                                  | 18.4%             |                              | 13.4%            |
| 3                                  | 11.8%             |                              | 13.0%            |
| 4                                  | 9.0%              |                              | 13.2%            |
| 5                                  | 12.1%             |                              | 22.2%            |
| 6                                  | 6.3%              | <b>9.5%</b>                  | 13.8%            |
| 7                                  | 2.3%              |                              | 5.9%             |
| 8                                  | 0.9%              | <b>0.5%</b>                  | 2.7%             |
| 9                                  | 0.4%              |                              | 1.3%             |
| 10                                 | 0.1%              |                              | 0.4%             |
| 11                                 | 0.004%            |                              | 0.0%             |
| 13                                 | 0.001%            |                              | 0.0%             |
| Totals                             | 100.0%            |                              | 100.0%           |

A majority of borrowers patronized a single licensee during the period between January 2009 and December 2009. Approximately 99.6% of borrowers took out advances with 2 or fewer licensees during the period and 98.9% took out advances at 2 or fewer locations.

| # Companies Used | % of Total Borrowers |              | # Borrowers |
|------------------|----------------------|--------------|-------------|
| 1                | 92.50%               | <b>99.6%</b> | 155,714     |
| 2                | 7.05%                |              | 11,875      |
| 3                | 0.43%                | <b>0.4%</b>  | 721         |
| 4                | 0.02%                |              | 26          |
| 5                | 0.00%                |              | 1           |
| TOTAL            | 100.00%              |              | 168,337     |

| # Store Locations Used | % of Total Customers |              | # Customers |
|------------------------|----------------------|--------------|-------------|
| 1                      | 89.1%                | <b>98.9%</b> | 149,951     |
| 2                      | 9.8%                 |              | 16,523      |
| 3                      | 1.0%                 | <b>1.1%</b>  | 1,723       |
| 4                      | 0.1%                 |              | 131         |
| 6                      | 0.0%                 |              | 9           |
| TOTAL                  | 100.0%               |              | 168,337     |

***Average Borrower Indebtedness***

The average borrower indebtedness for all borrowers with outstanding loans registered on the Database was approximately \$389.91 as of December 31, 2009.

The average borrower indebtedness reflects all outstanding payday loans registered in the Database as of the specified time and date. This does NOT include historical data for loans loaded prior to implementation of the database (prior to January 1, 2009), but does include Extended Term Loans and Extended Payment Plans.

***Outstanding Payday Loans***

As of December 31, 2009 there were 83,209 outstanding payday loans (including extended payment plans and extended term loans) in the Database held by 83,107 borrowers.

This includes payday loans made after implementation of the Database on January 1, 2009 and excludes historical data (loans made prior to database implementation date).



## Report on Virginia Payday Lending Activity

### **Loan Loss Estimate**

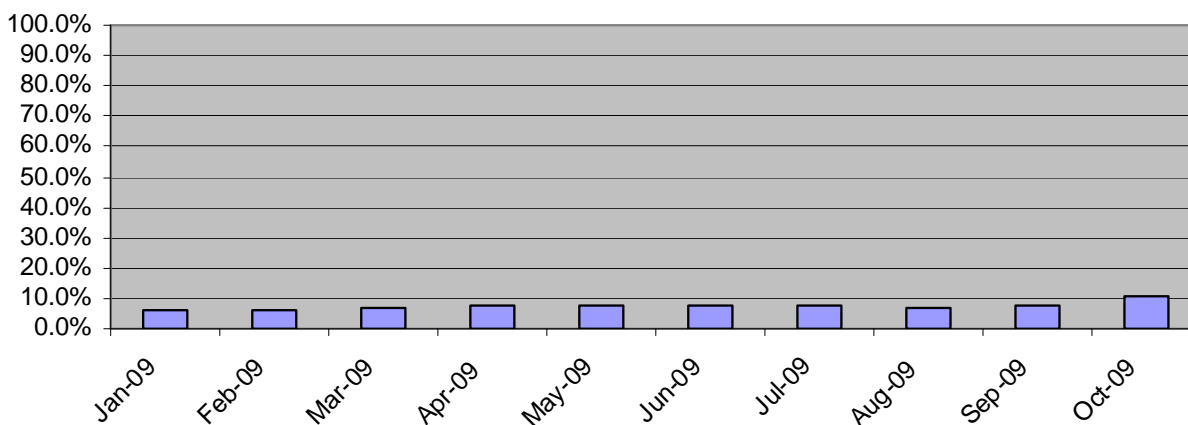
Payday loans categorized as “Loan Loss” as of December 2009 using the criteria below average approximately 6.2% of total payday loans made during the period from January 2009 through December 2009. These “Loan Loss” transactions represent a total outstanding advance amount of approximately \$10.7 million (excluding fees of \$2.1 million) or 5.1% of the approximately \$210.7 million in total loans (including advance amount and fees) conducted during the analysis period.

The estimated loss of \$10.7 million in advances represents approximately 26.6% of the \$40.3 million in interest and loan fees during the analysis period.

Loan loss rate is estimated using the following criteria:

- Payday loans in outstanding status more than 60 days beyond the due date of the loan.
- Exclude transactions that are Extended Term Loans (ETL) or Extended Payment Plans (EPP).
- Data used for this analysis includes available data from the twelve months ending two months (i.e., approximately 60 days) prior to the current month-end (i.e., January 2009 through October 2009).

**% Outstanding Loans**  
(based on agreement date of loan, excludes EPP and ETL)



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### ***Extended Payment Plan and Extended Term Loan***

The Payday Loan Act specifies that a licensee must allow a borrower to enter into an Extended Term Loan (ETL) or an Extended Payment Plan (EPP) under certain circumstances.

Borrowers entered into 22,546 Extended Payment Plans during the period and 1,787 Extended Term Loans.

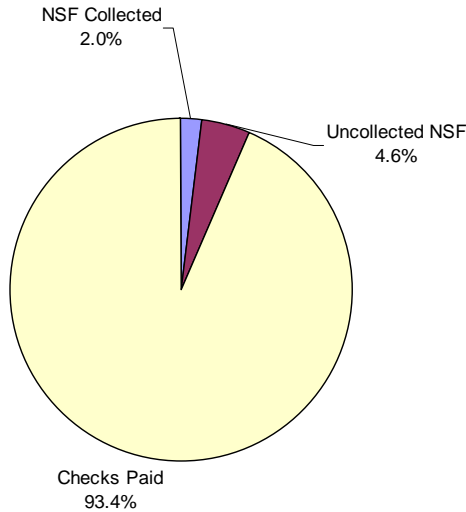
| EPP Count by Status |               |              |               |
|---------------------|---------------|--------------|---------------|
| Month               | Paid          | Outstanding  | Total EPPs    |
| Jan-09              | 2103          | 394          | 2,497         |
| Feb-09              | 863           | 216          | 1,079         |
| Mar-09              | 1011          | 201          | 1,212         |
| Apr-09              | 1193          | 203          | 1,396         |
| May-09              | 1658          | 292          | 1,950         |
| Jun-09              | 1693          | 320          | 2,013         |
| Jul-09              | 1862          | 440          | 2,302         |
| Aug-09              | 1785          | 575          | 2,360         |
| Sep-09              | 1594          | 938          | 2,532         |
| Oct-09              | 631           | 1786         | 2,417         |
| Nov-09              | 57            | 1932         | 1,989         |
| Dec-09              | 2             | 797          | 799           |
| <b>Totals</b>       | <b>14,452</b> | <b>8,094</b> | <b>22,546</b> |
|                     | 64%           | 36%          | 100%          |

| ETL Count by Status |              |             |              |
|---------------------|--------------|-------------|--------------|
| Month               | Paid         | Outstanding | Total ETLs   |
| Jan-09              | -            | -           | -            |
| Feb-09              | 2            |             | 2            |
| Mar-09              | 28           | 8           | 36           |
| Apr-09              | 91           | 7           | 98           |
| May-09              | 267          | 33          | 300          |
| Jun-09              | 190          | 33          | 223          |
| Jul-09              | 191          | 21          | 212          |
| Aug-09              | 165          | 26          | 191          |
| Sep-09              | 134          | 25          | 159          |
| Oct-09              | 163          | 51          | 214          |
| Nov-09              | 15           | 156         | 171          |
| Dec-09              |              | 181         | 181          |
| <b>Totals</b>       | <b>1,246</b> | <b>541</b>  | <b>1,787</b> |
|                     | 70%          | 30%         | 100%         |

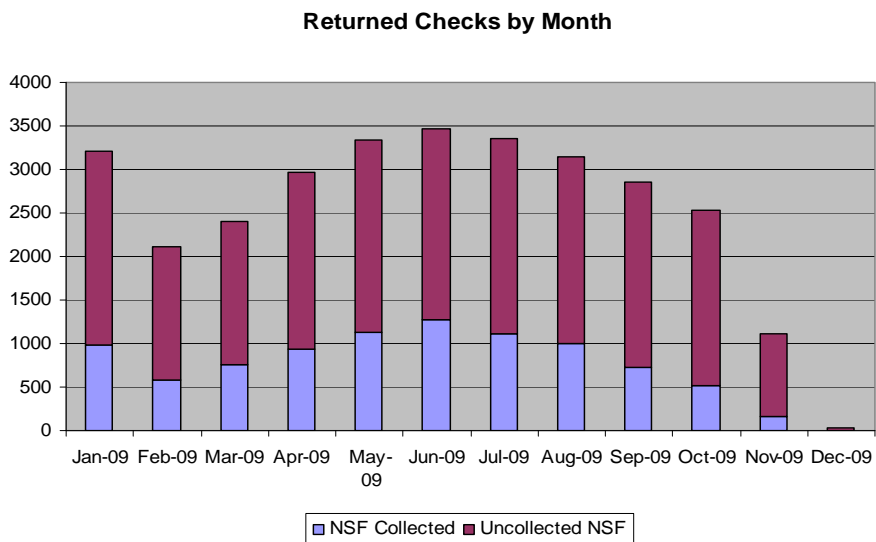
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## Returned Checks

Returned checks on payday loans (based on return checks submitted to the Database during this 12-month period) made up approximately 6.6% of total payday loans made during the period between January 2009 and December 2009. Approximately 30% of previously returned security checks are now paid making the ratio of outstanding returned checks approximately 4.6% of total payday loans made during the period.



Monthly return check volumes for 2009 are shown below:

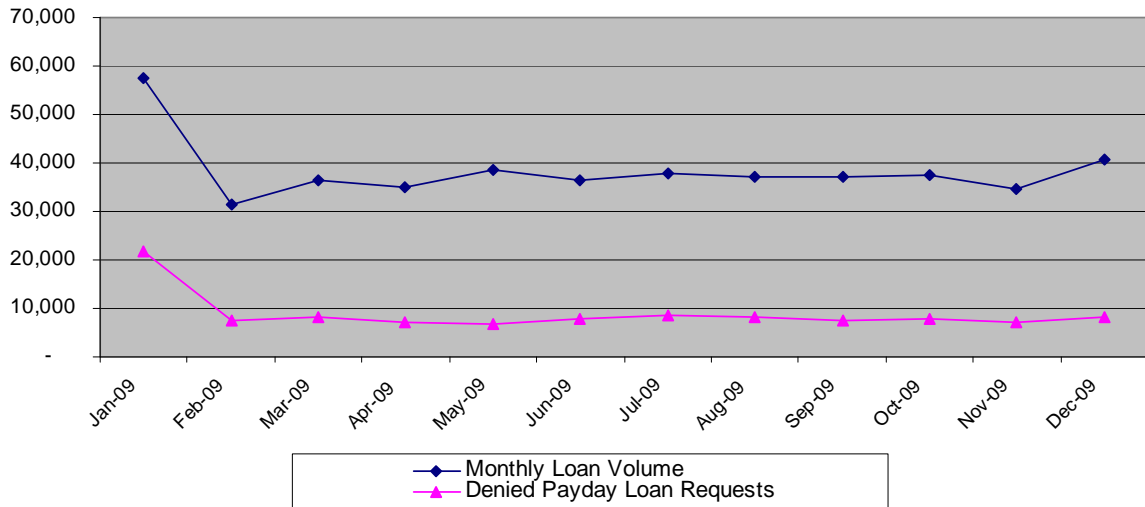
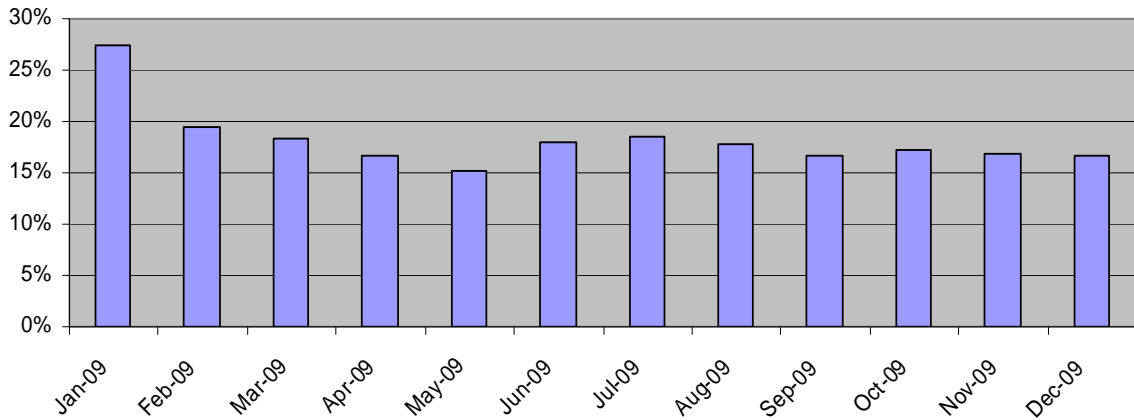


# Report on Virginia Payday Lending Activity

## Denied Payday Loan Requests

Approximately 20.1% of consumers who requested payday loans during the period between January 2009 and December 2009 were denied.

Denied Payday Loan Requests  
(% of total loan requests)



### ***Effectiveness of the Prohibitions on Military Lending***

In an effort to measure the effectiveness of the Payday Loan Act's prohibitions on military lending, subsection N of 10 VAC 5-200-110 requires every licensee to transmit to the database, by the close of business on each business day, the total daily number (even if 0) of individuals who were unable to obtain payday loans from the licensee because they are members of the military services of the United States or the spouses or other dependents of members of the military services of the United States. According to the Database, 1,405 inquiries were made by individuals who were unable to obtain payday loans from licensees in 2009 because they are members of the military services of the United States or the spouses or other dependents of members of the military services of the United States.

It should be noted that because some licensees failed to transmit the requisite information to the Database or misunderstood the requirement in subsection N, this data may be incomplete and may not be entirely accurate. Furthermore, the database is unable to capture information regarding members of the military services of the United States or the spouses or other dependents of members of the military services of the United States who wish to obtain payday loans but do not contact licensees to do so because they are already aware of the prohibition in section 6.1-459 (21).

It should also be noted that during its examinations of payday lender licensees, the Bureau of Financial Institutions ("Bureau") has not observed any loans made to military members, nor has the Bureau received any complaints specifically identifying the complainant as a military member or the spouse or other dependent of a military member.