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**Payday Advance Industry says New Report Misrepresents Customers'
Use of the Popular Short-Term Credit Product*****Contrary to activists' claims, regulated payday advances prevent abuse and save borrowers,
according to Governors in newly regulated states***

Washington, D.C. – The Community Financial Services Association of America (CFSA), a national trade group of responsible payday advance companies, today dismissed a report by the Center for Responsible Lending (CRL) as misleading and lacking perspective.

“This rehash of flawed statistics is designed for publicity purposes, not a serious discussion of consumer lending needs. Payday loan customers like the service because it is often their best financial option. The Center for Responsible Lending is opposed to virtually every consumer choice when it comes to short-term credit,” said Darrin Andersen, CFSA president.

“In a state-regulated environment, payday advances can often be the best choice for consumer seeking low-denomination, short-term credit,” said Andersen. Andersen cited a report released by Illinois Governor Rod. R. Blagojevich that the new regulations put in place in Illinois last year saved consumers \$6.4 million in loan fees and interest charges in just ten months.

In Michigan, another state that recently began regulating payday loans, Governor Jennifer Granholm stated, “Regulating payday lenders is key to preventing fraud, abuse and illegal activity.” Granholm also stated, “This bill contains strong consumer protections and will protect Michigan consumers from the pitfalls of debt.” CFSA supported both the Illinois and Michigan regulations.

“CRL supports banning this popular credit product, which will only drive consumers to more expensive, less desirable and even unregulated alternatives,” said Andersen.

CRL claims borrowers pay \$4.2 billion dollars in fees every year, but fails to mention that consumers receive \$40 billion in credit for the fees. To put it in perspective:

- Consumers will pay \$4.2 billion in ATM service charges in 2006 to withdraw their own money ^[1]
- Consumers pay an estimated \$22 billion in NSF fees to banks and credit unions ^[2]
- Banks collect an estimated \$10.3 billion annually for overdraft protection services ^[3]
- In 2000, consumers paid credit card interest of more than \$87 billion ^[4].

- An estimated \$57 billion in late bill payment fees were collected by businesses in 2003, more than 140 percent of the total estimated payday lending volume in the United States^[5]
- Credit card late fee penalties totaled over \$11 billion in 2005^[6]

Andersen also rejected the notion put forward by CRL that the industry's business model encourages rollovers or extensions of loans to be profitable. He added, "Rollovers are limited by CFSA member companies and by law in 37 states. Our industry continues to operate profitably in states where rollovers are not allowed because more than 90 percent of payday loans are repaid when due."

In fact, a 2005 working paper by the FDIC's Center for Financial Research stated, "the industry's profitability does not depend on the presence of repeat ("trapped"?) borrowers per se."

"The bottom line is that consumers spend \$4.2 billion a year for a product they choose over the alternatives. Consumers are very capable of making decisions without self-appointed guardians, like CRL, who profess to represent consumers' interest," Andersen concluded.

A quick look at the alternatives:

CREDIT ALTERNATIVE	\$100 PAYDAY ADVANCE	\$100 OVERDRAFT PROTECTION	CREDIT CARD LATE FEE ON \$100 BILL	LATE/DISCONNECT FEE ON \$100 UTILITY BILL	\$100 BOUNCED CHECK NSF/MERCHANT
Fee	\$15.00	\$26.90	\$37.00	\$46.16	\$54.04

Sources: Avg. NSF fee \$27.40 (Bankrate.com, Fall 2006); Avg. merchant returned check fee \$26.64 (2006 CFSA fee survey); Avg. utility late and reconnect fee (2006 CFSA fee survey); Avg. credit card late fee (*Credit Cards: Increased Complexity in Rates and Fees*, Government Accountability Office, 2006); Avg. overdraft protection fee (Bankrate.com 2005); Typical payday advance fee (CFSA).

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The [Community Financial Services Association of America \(CFSA\)](http://www.cfsa.org) is the national trade group of the payday advance industry. Representing 164 member companies with more than half of the payday advance outlets nationally, CFSA promotes laws and regulations that protect consumers and preserve their access to credit options. The association also works on behalf of members to support and encourage responsible industry practices. Membership is contingent upon compliance with CFSA's mandatory "Best Practices".

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