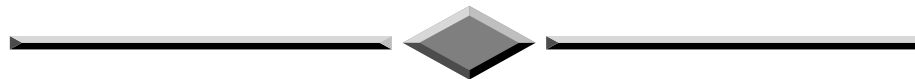


Payday Advance Customer Satisfaction Survey



May, 2004



Cypress Research Group

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Executive Summary

A total of 2000 payday cash advance customers were interviewed by telephone from April 28, 2004 to May 26, 2004. All research respondents were recent customers (past three months) of one of five of the largest Community Financial Services Association of America (CFSA) member companies. This respondent base represents approximately 25% of the industry nationwide who were served by about 5,000 payday advance service centers.

The main objective of the study was to examine the performance of the industry through the eyes of consumers as our goal was to identify possible improvement areas for the industry. These results can also be used in a public policy arena as they address both the long-term viability of the payday cash advance industry and consumer confidence in and satisfaction with the service.

Customer Demographics:

In general, the payday cash advance customer base looks very much like mainstream America, with the following notable characteristics:

- Over two thirds of the survey respondents have annual incomes over \$25,000, essentially equivalent to the U.S. population of 70% with household incomes at that level.* Over half of the respondents have moderate level household incomes (\$25,000-\$50,000), compared to 29% of the U.S. population who live in households with incomes at that level.
- The educational attainment of most of the respondents was rather high: over half (58%) have at least some college, which is slightly higher than the U.S. population (51%). The proportion of study respondents who have college degrees (Bachelor's or above) is the same (22%) as in the U.S. adult population.
- Although all age groups were represented in our study, payday cash advance customers tend to be younger. This is reflected mainly in the relatively lower levels of use among those age 55 and above, of which only 15% of our study were in that age category as opposed to 22% of the U.S. population. Only 5% of the study's respondents were age 65 and older, compared to 12% of the U.S. population.
- This study's payday cash advance customers were less likely to be homeowners (41%) than the U.S. average (60%). Likewise they were less likely to be married (46%) than the U.S. adult population as a whole (59%).
- They were somewhat more likely to have children in the household (49%) than the U.S. population (40%). Almost half (46%) of these customers were married, which is somewhat lower than the U.S. population (about two-thirds).
- The majority of these payday advance customers were White (61%) followed by African Americans (24%). The proportion of African American customers was slightly higher than the U.S. proportion (21%), when controlled for income.

*Source: U.S. 2000 Decennial Census

Executive Summary

Customer Relationships With Financial Services Providers:

In this study we assessed levels of ownership of various financial products. We found that many of these payday cash advance customers have rather high levels of financial product ownership:

- Two-thirds (64%) have a savings account (bank or credit union) and 51% have a retirement savings plan through their work. Twenty-four percent have personal retirement savings. Half have a major credit card (50%) and just as many reported having overdraft protection on their checking account. On average, these customers had five financial products (thirteen were tested). If we look at just those financial products which could be ready sources for cash, we see that two-thirds have an option besides payday cash advances. If we include savings accounts in our definition of sources for ready cash, that proportion grows to 85%. **We can conclude from this finding that the majority of payday cash advance customers *have some other choice besides payday cash advances and, for some reason (which this study helps explain) choose a payday cash advance instead of those other options.***

Industry Favorability:

One of the questions that needs to be asked by this industry is: what does the *community* want with regard to providers of payday cash advance services? We cannot directly answer that question in this study as our respondents do not represent the whole community, but knowing how these customers feel about the payday advance *industry* is telling. If the payday cash advance industry suffered from a bad image – that is if they were viewed as having general disregard for their customers or as being poor corporate citizens – even customers of these services would report unfavorable ratings of the industry. But in this study, that is not what we found:

- Of the 7 industries evaluated, with 65% favorability scores the payday cash advance industry was the 2nd most-highly-rated in terms of ‘treating customers fairly’ and being a ‘good community citizen.’ The payday cash advance industry was eclipsed only by the ‘grocery store industry’ (81% favorability ratings). Industries with lower favorability ratings were: credit union (57%), fast food restaurant (57%), banking (51%), stock market/securities (34%), and credit card (28%) industries.

Executive Summary

Customer Satisfaction With Recent Consumer Experiences and Financial Products:

- The payday cash advance customers reported high overall levels of satisfaction with their recent payday cash advance experience (77% satisfied*). This level of satisfaction was higher than their reported satisfaction levels with ‘eating at a local restaurant’ (75%), ‘going to a local government office for assistance’ (61%) or ‘applying for a loan at a local bank or credit union’ (55%). The highest levels of satisfaction were for ‘making a simple transaction at a bank or credit union’ (84%) or ‘purchasing groceries’ (84%).
- In comparison to other **financial products** with which these customers have had recent experiences, the payday cash advance was among the most highly rated products (75% satisfied), second only to ‘check overdraft protection’ (83%). Satisfaction levels with the five other financial products were slightly lower, ranging from a high of 71% satisfied to a low of 69% satisfied.

Customer Satisfaction With Recent Payday Advances:

Several aspects of customer satisfaction with payday cash advances and services were examined within this study, with the following results:

- Customers were highly satisfied with all general aspects of the payday cash advance experience, including the level of service during the application process (88% satisfied), the level of service while the loan is outstanding (85%), and the cash advance itself (82%).
- Respondents were queried in much detail regarding the application process (their understanding of the terms and repayment schedule of the cash advance, and the professionalism of the application service staff) and all satisfaction scores were at least 90%.
- These payday advance providers also received high marks for their locations: at least 85% of respondents were satisfied with the convenience of the service center’s hours, the convenience of its location, how professional and inviting the center was, and the safety of the location.

*All satisfaction scores reported here are ‘top-two-box’ scores of ‘4’ and ‘5’ on a 1 (low) to 5 (high) scale.

Executive Summary

Customer Satisfaction With Recent Payday Advances (continued):

- Satisfaction scores for various aspects of the payday advance pay-back period were also very high: 82% were satisfied with the frequency of reminder calls and 87% were satisfied with the professionalism and courteousness of the representative who called with a reminder.
- Customers were also very satisfied with most aspects of the cash advance itself. Eighty-five percent were satisfied with the ability to renew the cash advance, and almost as many (82%) were satisfied with the maximum cash advance amount allowed and the cash advance repayment schedule (77%). The only slippage in customer satisfaction ratings we saw in this study related to the cash advance fees (47%). Please note that customers overwhelmingly agreed that they understood the fees and terms of the loan, but their satisfaction levels with the fees were the lowest of all satisfaction measures on payday cash advances in this study. Cash advance industry management should focus improvements on those two areas, as long as quality in the other areas is not sacrificed. That is, customers have made it clear in this and other studies that they most value the convenience of these loans (the convenience of their locations and the quick receipt of cash) and that there are no credit checks. These factors are *more important* than the fees and they should not be jeopardized for the sake of lowering fees. There is some point, of course, where the fees would be so high as to force consumers to choose an option they feel provides more value. Because use of the payday cash advance is so common now and rated so highly in customer satisfaction, clearly many consumers see this option, with its current fee structure, as the best value.

Attitudes Towards Government Intervention in The Use of Payday Advances:

- A great majority of these payday cash advance customers were not in favor of government limits on ‘the number of payday cash advances allowed per year’ (86%) nor the ‘number of times a cash advance can be renewed without a break’ (77%). As a group they also did not favor the government ‘having access to cash advance transaction records’ in order to limit use (80%). Fewer customers, however, were not in favor of the government limiting cash advance fees (31%).

Executive Summary

Overall Conclusion: Despite extensive questioning of recent customers of CFSA member company customers regarding their experience with payday cash advances, we were unable to find systemic service areas which warrant improvement initiatives. Basically the payday cash advance experience appears to be one of the most positive customer experiences these respondents have had in the past few months (in comparison to several other comparative community and/or financial services), and it is difficult to make a sound business case that most of the performance measures could be measurably improved.

In terms of the implications of this study on public policy, this study can be used in two ways. One could argue that because the market demand for a payday cash advance product is so strong, the number of payday cash advance service centers has grown tremendously in the past few years. In short, the ‘market has spoken’ – people want this service and potential providers must have found a way to provide the service profitably. This study shows this industry is also providing this service responsibly. Public policy should not interfere with an economic market that is operating well unless there are clear signs of industry abuses or damage to other economic markets. This study shows no evidence of any kind of mistreatment (or misinforming) of customers. In total, one would predict that CFSA members are building an industry with an eye towards long-term viability, and mistreatment of customers is a sure way to prevent long-term viability. Because customer satisfaction levels this high are very difficult to attain in *any* industry (especially such a new one), we can only conclude that CFSA member payday cash advance providers are taking **aggressive steps** to prevent customer abuse in their industry and, at the same time, providing a superior level of service which will help ensure their long-term viability. This is the most you can ask of an industry.

That being said, only about half of the customers are satisfied with the fees. While ‘cost’ is frequently a trigger of customer dissatisfaction for any product or service, the industry should heed this call from customers to diligently keep costs as low as possible.

In sum, this study suggests that not only has the ‘market spoken’ by vastly increased use of this service, the market has told us that this industry is treating its customers well. That is important in public policy decisions because signs of customer mistreatment *would* warrant further consideration of public regulation. This study does not lend support to the notion that scrutiny of this industry should be increased.

Introduction

Payday advances (small, un-collateralized, short-term loans extended between paydays) have gained popularity in recent years. Two important design features of the payday advance service delivery are: 1) convenient access to funds (i.e., centers are located close to the homes and/or workplaces of customers with operating hours much more extensive than traditional lending institutions) and 2) no credit checks.

Consumer advocates have expressed concern over these types of loans for two reasons. First, the fees for these very short-term loans, when expressed as an annual percentage rate, are higher than those of more traditional larger, long-term loans. Second, there is potential for these loans to be overused by some consumers who become dependent on repeated renewals of these loans.

However, despite expressed concerns, this industry has grown substantially over the past years in terms of the number of payday advance service centers and the number of consumers choosing these types of loans. Within individual states much debate has ensued regarding whether or not payday advances are ‘good’ or ‘bad’ for consumers. Various states have taken stances which range from limiting fees so extensively that providing payday advances cannot be a profitable business, to no regulation at all where the marketplace has determined the fee structures and product features. This public policy is fairly new, as the payday advance industry itself is in relative infancy. However, the number of providers and the number of service centers has grown much faster than our level of understanding of how this type of financial service fits into the mix of options available to consumers. There are some data but not yet a solid understanding of:

- 1) Why do consumers choose a payday advance?
- 2) What are their other options?
- 3) Is this option a logical choice given their other options?
- 4) Is this a ‘forced’ choice in that there are no other options available for most consumers? And,
- 5) Do consumers enter into these short-term loan agreements with full understanding of the terms and payback schedule?

There is one overwhelming piece of evidence regarding the viability of this industry, and that is the vast growth (and therefore demand) for these types of loans in the US marketplace. An estimated 20,000 or more payday advance centers serve consumers across the country, up from virtually zero 15 years ago. In short, ‘the market has spoken’ and no one can argue that there is not a huge market demand for payday advance services. Over-regulating that market will not make the demand for these loans disappear, it will only change the way in which the demand is met. In a free market economy, we assume that the *market* makes the best decisions, much better than the summation of individual policy makers can, because markets by definition are extremely complex and small actions on markets can have large ripple effects throughout that market and even other markets. In the case of payday advances, because the market has demonstrated a clear demand for this type of service, public policy should not interfere with the natural evolution of the market unless we can prove that overall this market does more harm than good. In sum, the most important piece of evidence that this type of loan benefits the market is that it is well-received by the market. We know that demand has grown, but we need to know more. The current study examines these types of loans more closely but most importantly – through the eyes of its consumers.

Introduction

How the market views payday advances involves several components, and we will address the major components of the consumer experience in this report. Understanding customer satisfaction levels with payday advance services not only helps us paint a picture of the market dynamics of this industry, it also helps us understand two other important aspects of the industry. First, it tells us how well the payday advance industry is doing at being a viable business on a long-term basis. Second, it informs public policy because it measures potential abuses on the side of the industry. Measuring potential abuses on the side of consumers is *extremely* difficult and more importantly very difficult to control. Measuring potential abuses on the side of the industry is not only easier to measure, but easier to control via public policy regulations.

The way these are best measured is through the eyes of its customers by asking “how ‘customer-focused’ is this industry?” A customer-focused industry has the long-term understanding that its primary obligation lies in serving the needs of its customers and abusive practices are anathema to an industry having long-term viability. It is *customers’* opinions which matter most as those who do not satisfy the customer and do not provide value to the customer are quickly replaced by those who do. While this statement may seem self-evident to the reader, it is important to remember that many companies and even entire industries have achieved great short-term success by violating this very tenet; the lack of long-term sustainability of such businesses or industries were predictable by looking at the view of those companies/industries through the eyes of their customers.

To this end of examining how customer-focused the payday advance industry is, the Community Financial Services Association of America, (CFSA) wishes to measure how satisfied customers are with their recent cash advance experiences both overall and with the various components of the service they provide. Specifically, the current study examined the following:

- Overall satisfaction of consumers with their cash advance vendor;
- Satisfaction with the customer service experience during the cash advance application process and the various steps involved in that process;
- Satisfaction with the service levels during the period after the cash advance was completed (the ‘pay-back’ period);
- Satisfaction with the cash advance itself (fees, payback schedule, etc.);
- Reasons for any dissatisfaction;
- How these levels of satisfaction compare with other common services obtained within the community (obtaining loans from banks, grocery shopping, etc.)
- How consumers of cash advances view these loans in terms of what types of need(s) they meet and how well the advances meet those need(s).

Methods

Data Collection

- All customer interviews were completed via telephone from a centralized telephone data collection center.
- A total of 2000 customers were interviewed from April 28, 2004 to May 26, 2004.
- Respondent answers have been treated with complete confidentiality, and all identifying customer information has been disassociated from respondents' survey answers and all data have been analyzed in the aggregate.
- The interviews lasted, on average, 13 minutes.
- No sponsor of the study was identified.
- Interviews were conducted during evening and weekend hours.
- The survey questionnaire is included in the Appendix.
- Cypress Research Group received customer contact information for the entire customer database from five of the largest payday advance providers, who represented about 25% of all U.S. locations (about 5,000 service centers) at the time of the survey, with outlets in 40 different states. The databases used for the sampling contained all customers who obtained a cash advance within the three and a half months preceding the survey (January 2, 2004 to April 15, 2004), both customers 'in good standing' and those 'in collections.' A random sample was drawn from each customer database universe of enough size to allow for efficient mass dialing. All potential respondents were contacted a minimum of 5 times.

Sampling & Data Precision

This total sample size of 2000 interviews allows us a margin of error of +/- 2.2%. That means that the proportional results that we've obtained in this sampling are within +/- 2.2% of what we would have found had we interviewed the entire universe of customers active within the three and a half months prior to the interviewing.

Respondents resided in 40 different states. The states most widely represented by respondents in this study (because the companies that participated in this study do large amounts of business in those states), included: California (16.3%), Ohio (8.2%), Florida (6.3%), Michigan (6.5%) and North Carolina (6.1%).

Methods

Sampling

Final Sampling Dispositions

	Disposition Total	% of Grand Total
<i>Invalid phone numbers</i>		
Disconnected phone	645	4%
Wrong Number	2956	17%
Business/Government phone	220	1%
Computer tone	151	1%
Subtotal	3972	23%
<i>Respondent not available during interview period</i>		
No answer	5370	31%
Phone busy	578	3%
Blocked Call	389	2%
Respondent not available	3086	18%
Subtotal	9423	54%
<i>Interview attempted</i>		
Initial refusal	268	2%
Interview terminated (by respondent or interviewer)	637	4%
Payday advance not acknowledged	1271	7%
Completed Interviews	2000	11%
Subtotal	4176	24%
Grand Total	17571	

The universe for this study was all customers who had at least one payday advance obtained from January 2, 2004 to April 15, 2004. For the five companies combined, this included a total of 1,544,489 unique customers. In order to sample 2,000 customers, 17,517 customer names were randomly drawn from the original customer universe. From this random list, customers were contacted to participate in the study.

Here we show the results of each of the customer contacts.

- A total of 23% of the telephone numbers were no longer correct (either disconnected, ‘wrong numbers,’ or have been changed to a business phone or fax line). Typically we see an incorrect number rate closer to 10%.
- Just over half of those randomly selected (54%) were never contacted to verify their status. For the limited time period of the study (4 weeks) we were unable to contact them despite at least five attempts.
- The remaining 24% of the random sample were successfully contacted. Of those, 6% either terminated the interview immediately (a ‘refusal’) or the interview was aborted at some point after the first question. Seven percent of those contacted ‘did not qualify’ for participation in the study because they denied having obtained a payday cash advance within the past 6 months. Eleven percent of the random sample resulted in completed interviews.
- These sampling statistics are well within industry standards for telephone interviews conducted during a timetable of four weeks.

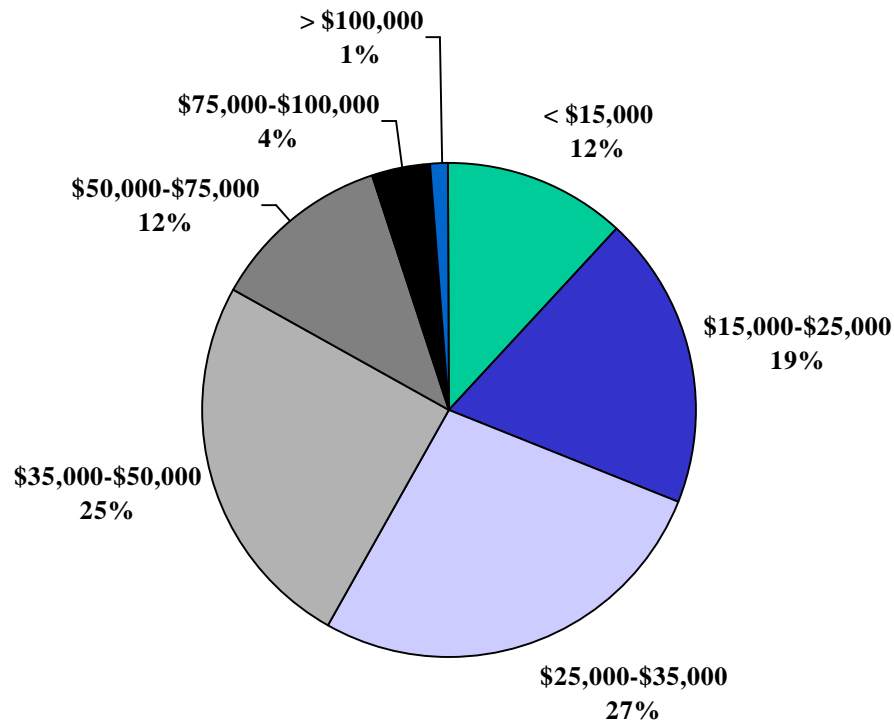
Section I:

Respondent Demographics

- Before we address the specific objectives of the study, it is important to examine the demographic characteristics of the various customer subgroups sampled in this study. This information gives us a glimpse into what their target market looks like and helps us gain insight into how this industry can best serve the payday advance market.

Demographic Characteristics

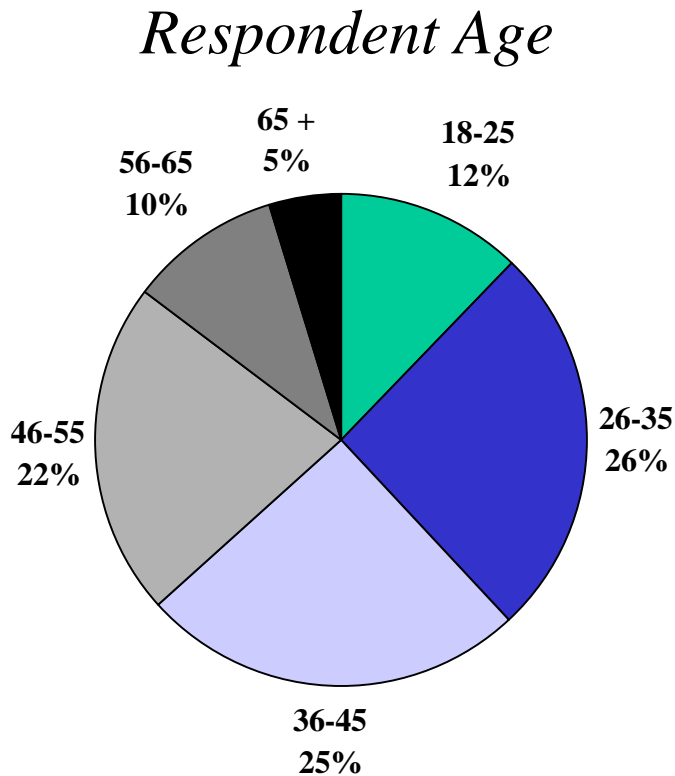
Respondent Household Income All Respondents, n=2000



- Respondents fall into several household income categories. About one-third (31%) are in the lowest broad annual income category of below \$25,000. This compares to 30% of the households in the U.S. Over half (52%), however, are in the moderate income group (\$25,000-\$50,000), compared to 29% of households in the general U.S. population. The remaining 17% of this sample had incomes in the highest level range (\$50,000 or greater).

Demographic Characteristics

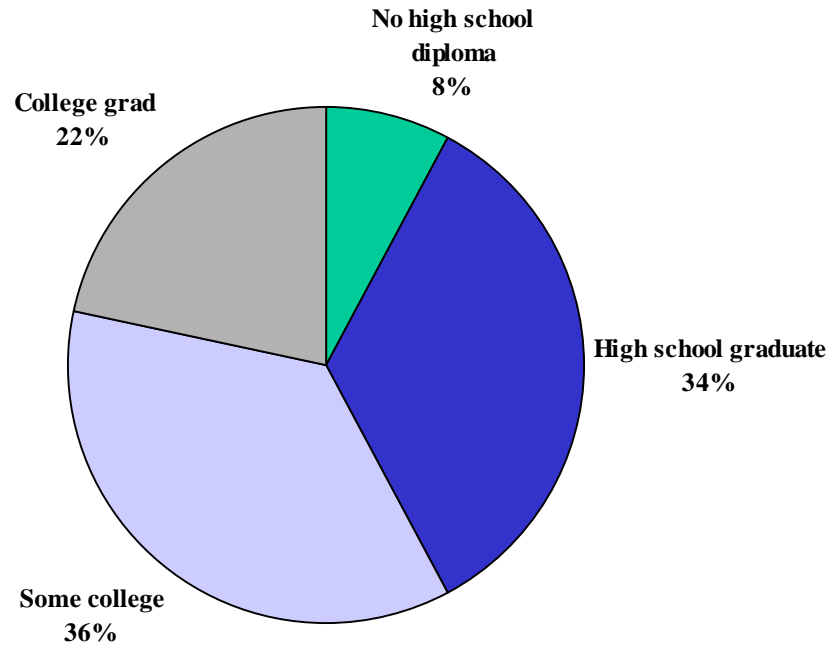
Respondent Age All Respondents, n=2000



- This consumer base is very diverse in terms of age, **but cash advance customers are disproportionately young**. The proportion of young adults (18-25, 12%), is roughly equivalent to that in the US population, but relatively few of these consumers are over age 55 (15%), compared to 29% of the US adult population being in this age range. Almost two-thirds of the payday cash advance customers are under age 45, compared to 53% of the US adult population.

Demographic Characteristics

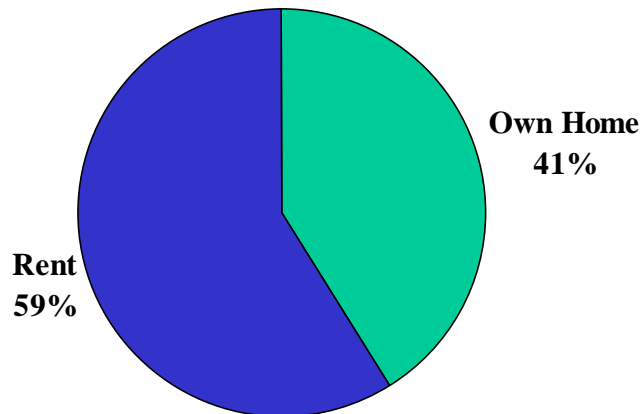
Respondent Educational Attainment *Respondents, n=2000*



- The educational attainment of most payday advance customers is rather high. Ninety-two percent have a high school diploma or better. Over half (58%) have at least some college, compared to 51% of the US adult population. One-in-five (22%) are college graduates, equivalent to the U.S. adult population of four-year college graduates (22%).

Demographic Characteristics

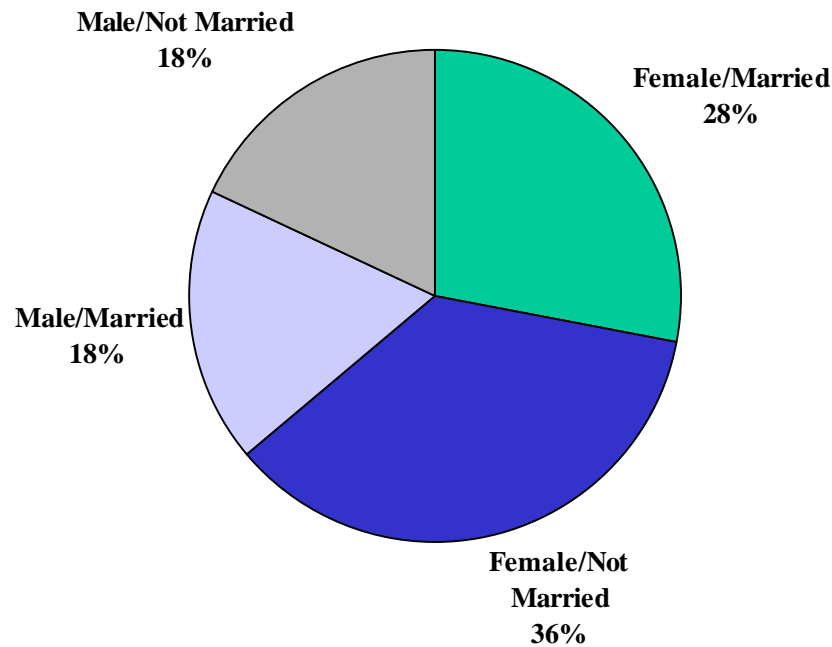
Home Ownership *All Respondents, n=2000*



- Forty-one percent of these respondents own their home. This is somewhat lower than the US population, of which 60% of the households are owner-occupied (controlled for age).

Demographic Characteristics

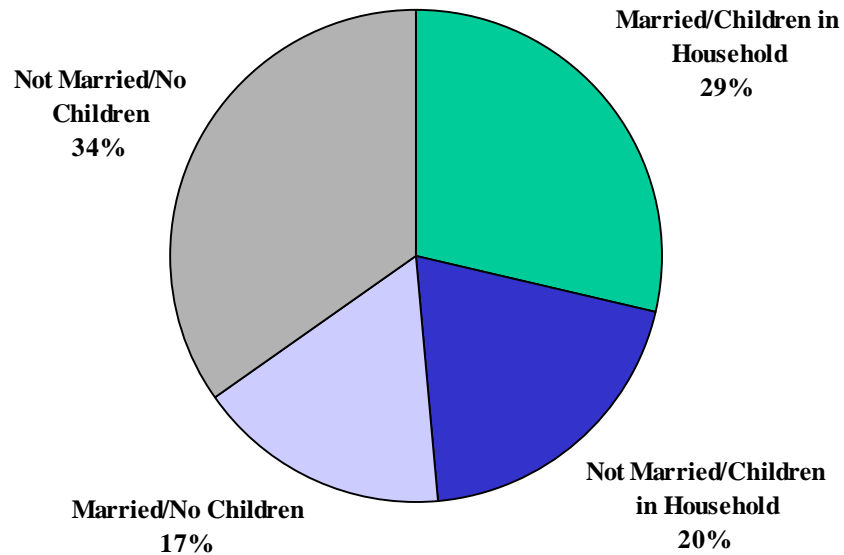
Respondent Gender & Marital Status *All Respondents, n=2000*



- About 2 in 3 of the survey respondents were female (64%). Females are more likely to respond to consumer surveys, so even if the population is actually evenly split between males and females, we typically see that about two-thirds of survey respondents are females (unless we control for that). We cannot, therefore, conclude that cash advance customers are majority female – it is more likely that they are evenly split as in the general population.
- About half (46%) of the respondents reported being married, with the remaining being either never-married, divorced, or widowed. This is somewhat lower than the U.S. average, of which about 2 in 3 adults are married. We can conclude that cash advance consumers are slightly less likely to be married than the general population. This is probably due to their tending to be younger in age (see page 13) than the general population.

Demographic Characteristics

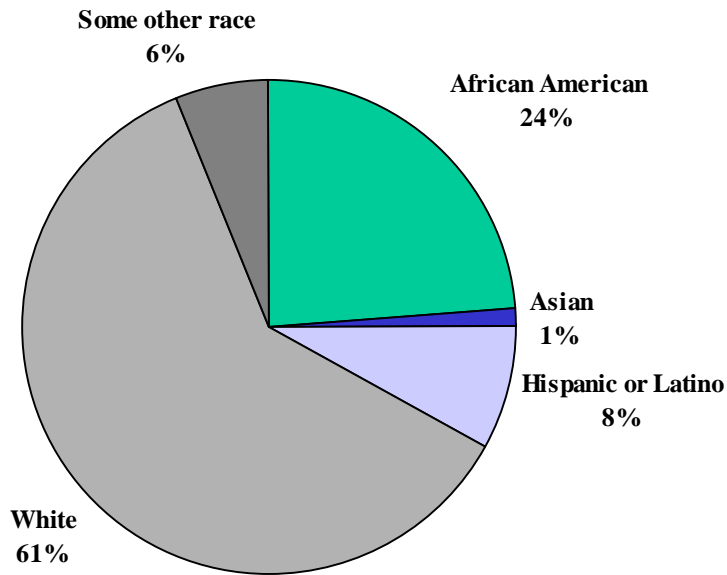
Marital Status & Presence of Children Under 18 in Household *All Respondents, n=2000*



- About half (49%) of the households of these cash advance customers have children under 18 in them. This is high compared to the U.S. population, where (depending on the state) only 4 in 10 households have children in them. Even if we control for age, we see that payday advance customers are slightly more likely to have children than the average U.S. households with the same age of adults.
- Cash advance customers with household children are more likely to be headed by married parents (29%) than single parents (20%).

Demographic Characteristics

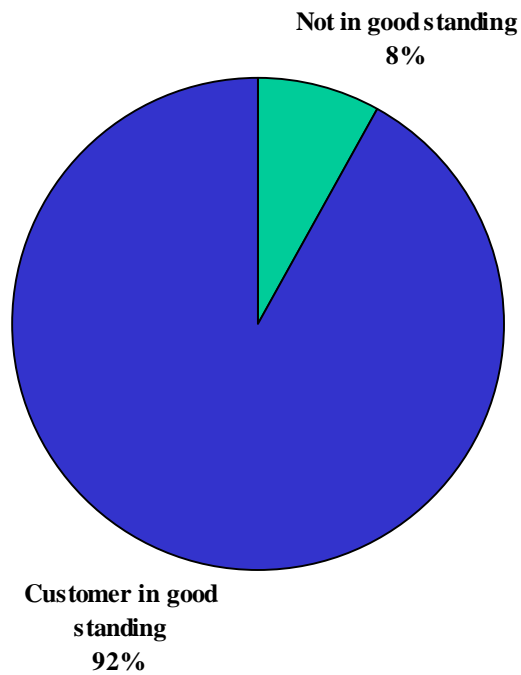
Respondent Racial/Ethnic Background *All Respondents, n=2000*



- The majority of respondents were White (61%), followed by African American (24%). Only 13% of the US population is African American, but race and income are highly correlated in the US. If we control for the income levels reported in this study to US adult levels, a more comparable proportion of African Americans in this study is 21%. This is slightly outside of the margin-of-error, and we can conclude that the proportion of payday advance African American customers is just slightly larger than adults in the US population in this income segment.

Demographic Characteristics

Customer Standing *All Respondents, n=2000*



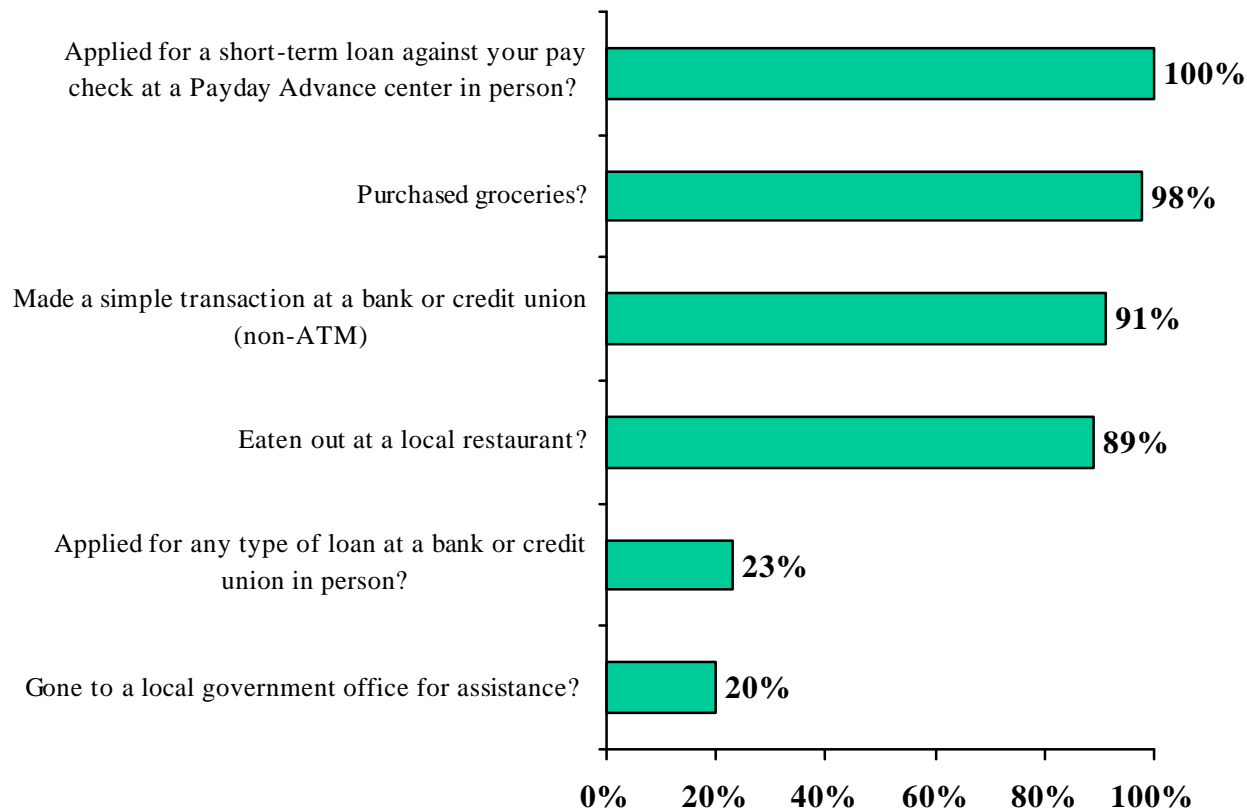
- The database from which the sample for this study was drawn included all customers who obtained a cash advance within the approximate three and a half months before the study was conducted. For the entire universe, this included 11% of customers who were not ‘in good standing’ at the time of the survey (according to company records, not self-reports). The sample of respondents included only 8% of those ‘not in good standing’ – a smaller proportion than in the total universe because this segment of the consumer population was probably less likely to be inclined to participate in a survey regarding experiences with financial products.

Section II: Customer Relationships

Demographic Characteristics

Recent Consumer Experiences

In the past three months, have you...?



In order to provide context to the evaluation of the customer experience with obtaining a payday cash advance, we had respondents evaluate several different types of consumer experiences they've had within the past three months. Here we show the results of the query which determined which types of experiences these respondents have had.

By definition, all of these respondents (100%) reported 'obtaining a payday cash advance' within the past three months. 'Purchasing groceries' was almost as common (98%), as was 'making simple (non-ATM) transactions at a bank' (91%) or 'eating out at a local restaurant' (89%).

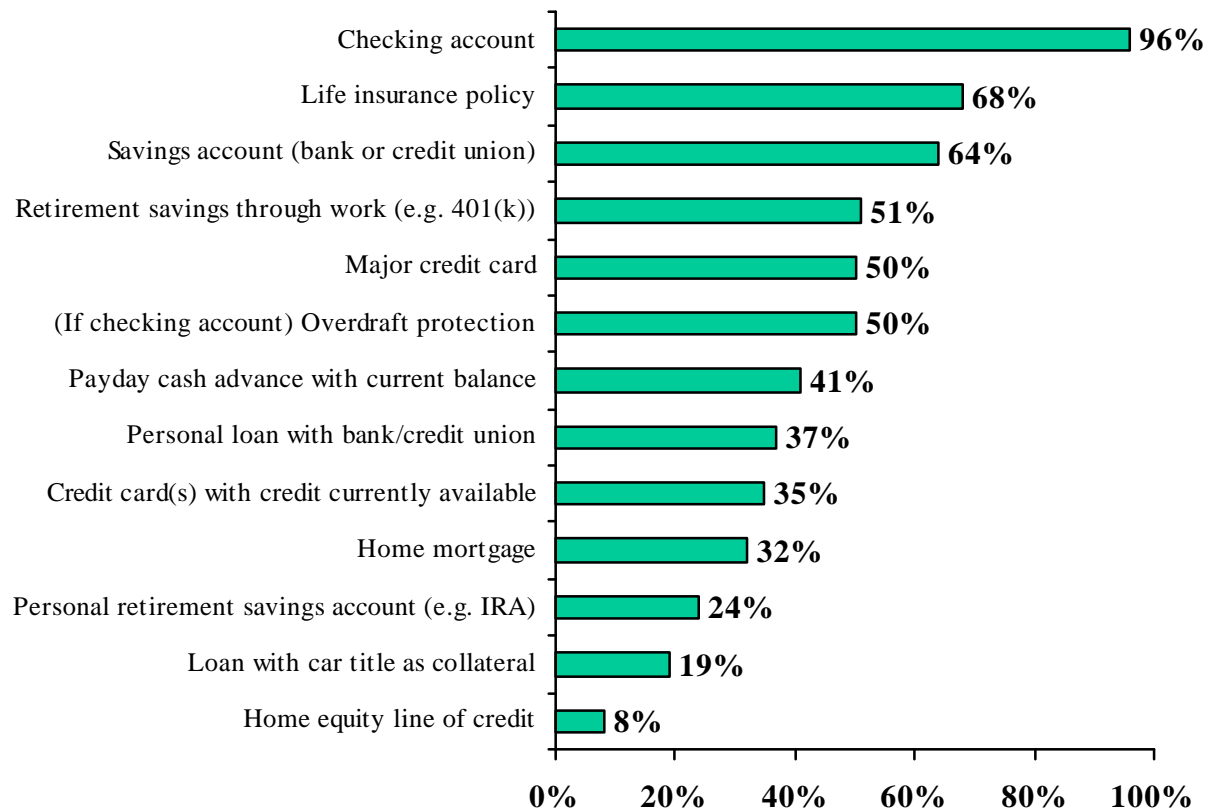
Not as common (but still fairly common) were 'applying for a loan at a bank or credit union (in person)' (23%) or going 'to a local government office for assistance' (20%).

In a later section we compare customer evaluations of these various experiences.

Demographic Characteristics

Recent Consumer Experiences

Do you currently have a.....?



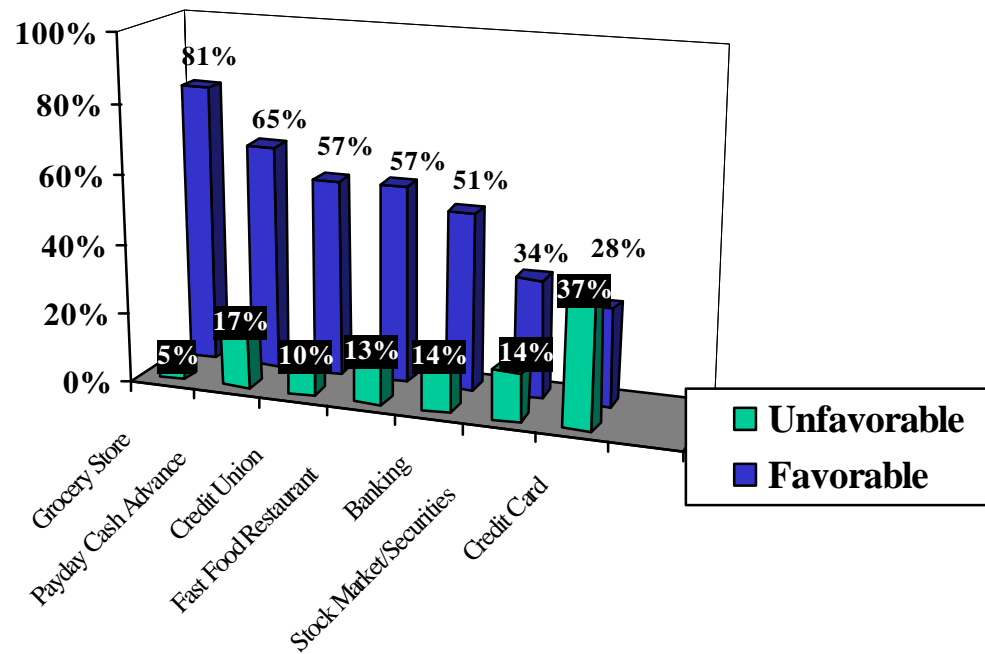
To also provide context on satisfaction with various financial products, we first asked respondents about their current usage or ownership of each of the products shown here. In addition to setting up questions on satisfaction with these products, this information provides valuable insight into the types of financial lives these customers have; ownership of these products is very common among these customers in spite of their making the decision to obtain a payday advance. That is, it is very interesting how many of these respondents have some financial alternative to payday cash advance. Such respondents include those with overdraft protection on their checking accounts (50%), credit cards with available credit (35%), and home equity lines of credit (8%). Sixty-seven percent (not shown) had at least one of these alternatives available to them. For these consumers, the benefits, financial or otherwise, of obtaining a cash advance must outweigh the costs.

Section III: Consumer Satisfaction

Consumer Opinions

Industry Favorability

In terms of how fairly they treat customers and are good community citizens, do you have a favorable, unfavorable, or neutral opinion about the Industry?



Of the 7 industries evaluated, the payday cash advance industry was the second most-highly-rated in terms of ‘treating customers fairly’ and being a ‘good community citizen’ (65% favorable/17% unfavorable). The grocery store industry received the highest marks from this consumer group (81% favorable/5% unfavorable).

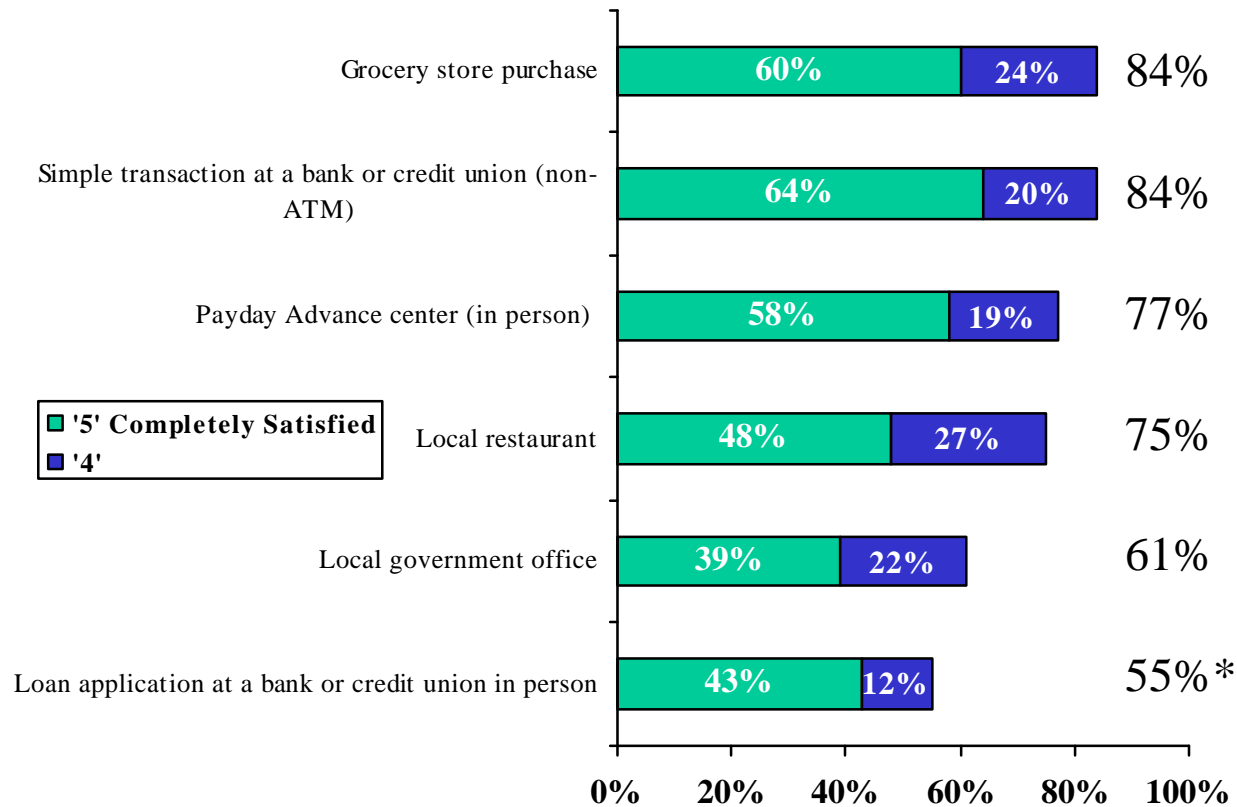
However, beside the credit card industry, which over one-third (37%) of these consumers rated unfavorably, the payday cash advance industry was the industry which received the second highest percentage of ‘unfavorable’ ratings. This could be because 8% of the respondents had defaulted on a payday cash advance at the time of the study. By definition we would expect these particular customers to have an unfavorable view of the industry given their recent experiences. To get a better picture of industry favorability, we can look only at the industry ratings of ‘customers-in-good-standing.’ By doing that we see that percentage drop from 17% to 15%, more in line with the unfavorability ratings for the fast food restaurant (13%), banking (14%), and stock market/securities (14%) industries.

African Americans had a slightly higher opinion of the payday advance industry than Whites (68% vs. 63% favorable), and a somewhat higher opinion of the credit card industry (34% favorable for African Americans vs. 26% for Whites).

Customer Satisfaction

Customer Satisfaction With Recent Consumer Experiences

Thinking of the last time you....., how satisfied were you with the experience overall?



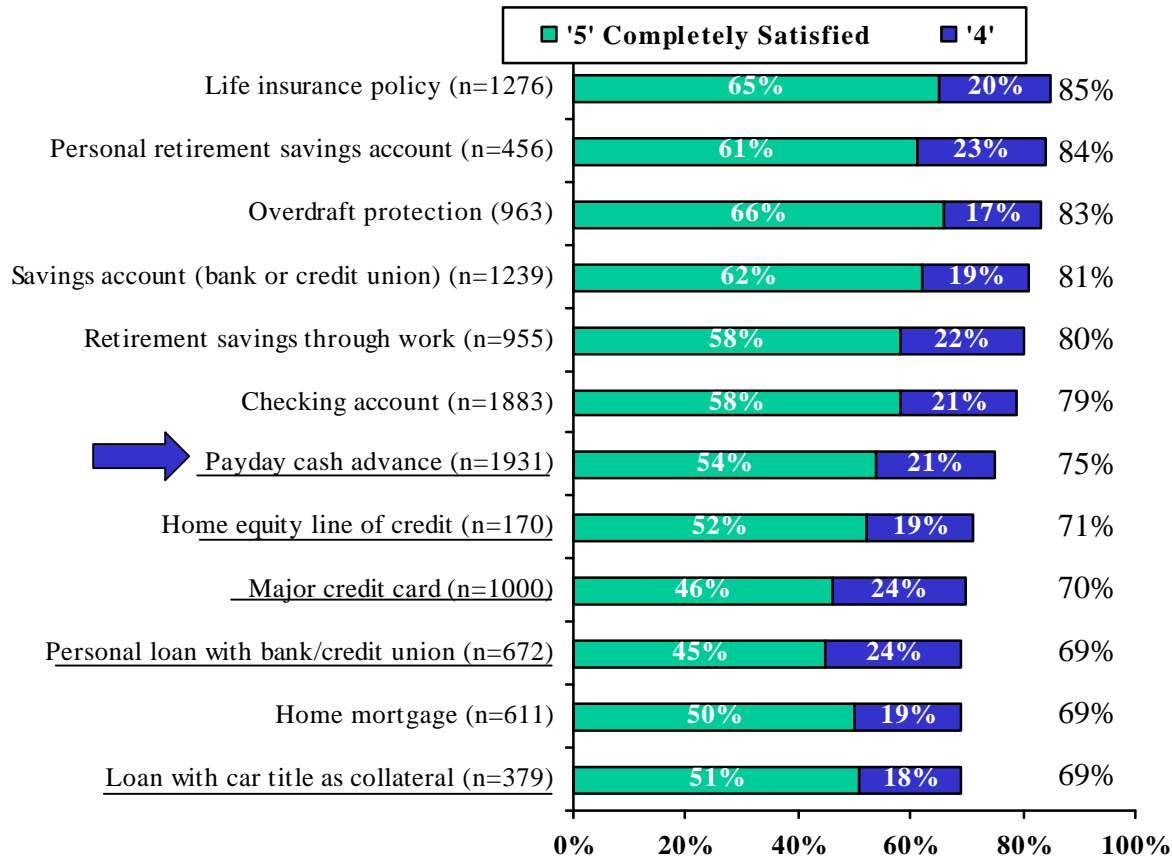
Here we show the levels of satisfaction overall for 6 different community-based services, including payday advances, using a 1 (low) to 5 (high) satisfaction scale. If we combine the 'top-box' scores of '4' and '5' (*completely satisfied*), we see that grocery stores, simple transactions at banks/credit unions and payday advance centers received the highest satisfaction scores.

*African Americans were the least satisfied demographic group with their bank/credit union if a loan application was involved (11 point difference).

Customer Satisfaction

Recent Consumer Experiences

Thinking of all aspect of these things – both the products themselves and the service you receive from the companies – how satisfied are you overall with... ?



Here we show how the respondents rated their satisfaction with those financial products that they had at the time of the survey.

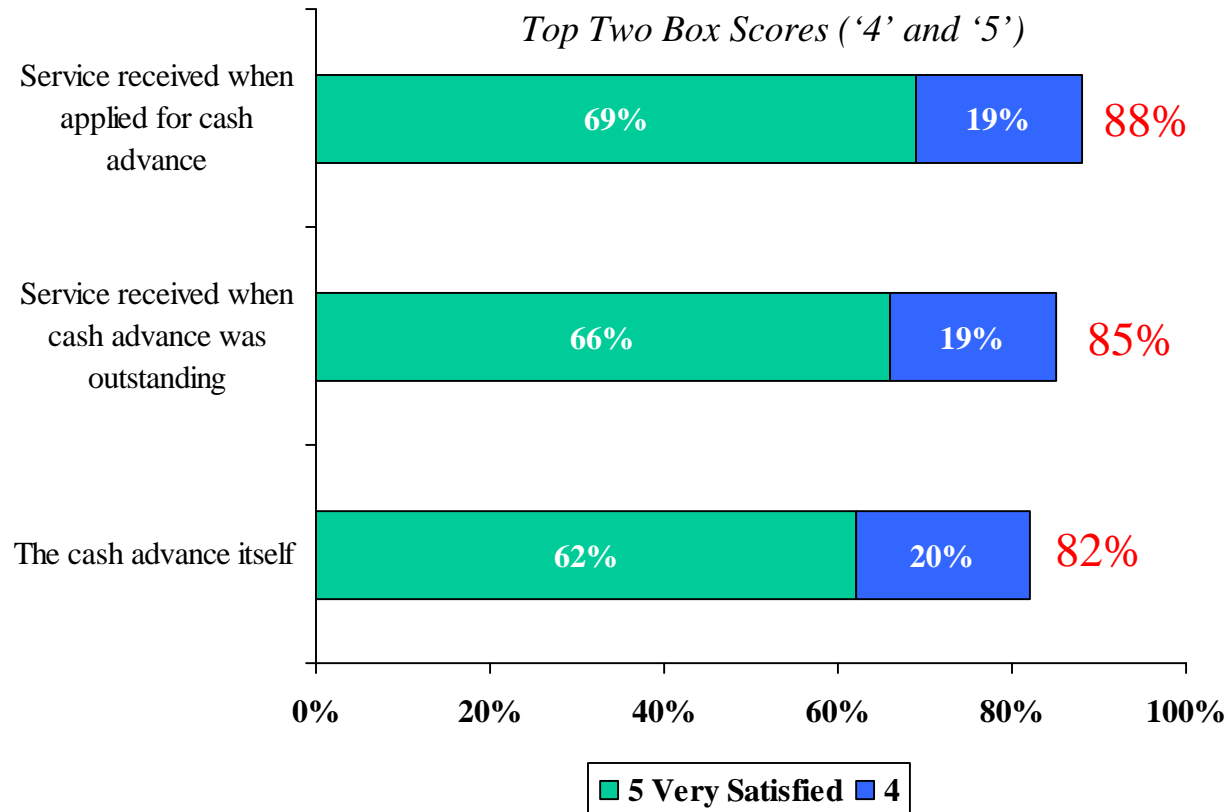
For seven of the 12 products assessed, a strong majority (at least 75%) of the respondents were generally satisfied. Payday advance was one of those highly rated products.

Note that of the five products which involve the disbursement of short-term loans (Car title loan, Personal bank loan, Major credit cards, Home equity line of credit, or Payday cash advance), the Payday cash advance customers were the most satisfied.

No product can be considered poor in the minds of these customers, as the three lowest rated products were still rated satisfactorily by 69% of the respondents.

Customer Satisfaction

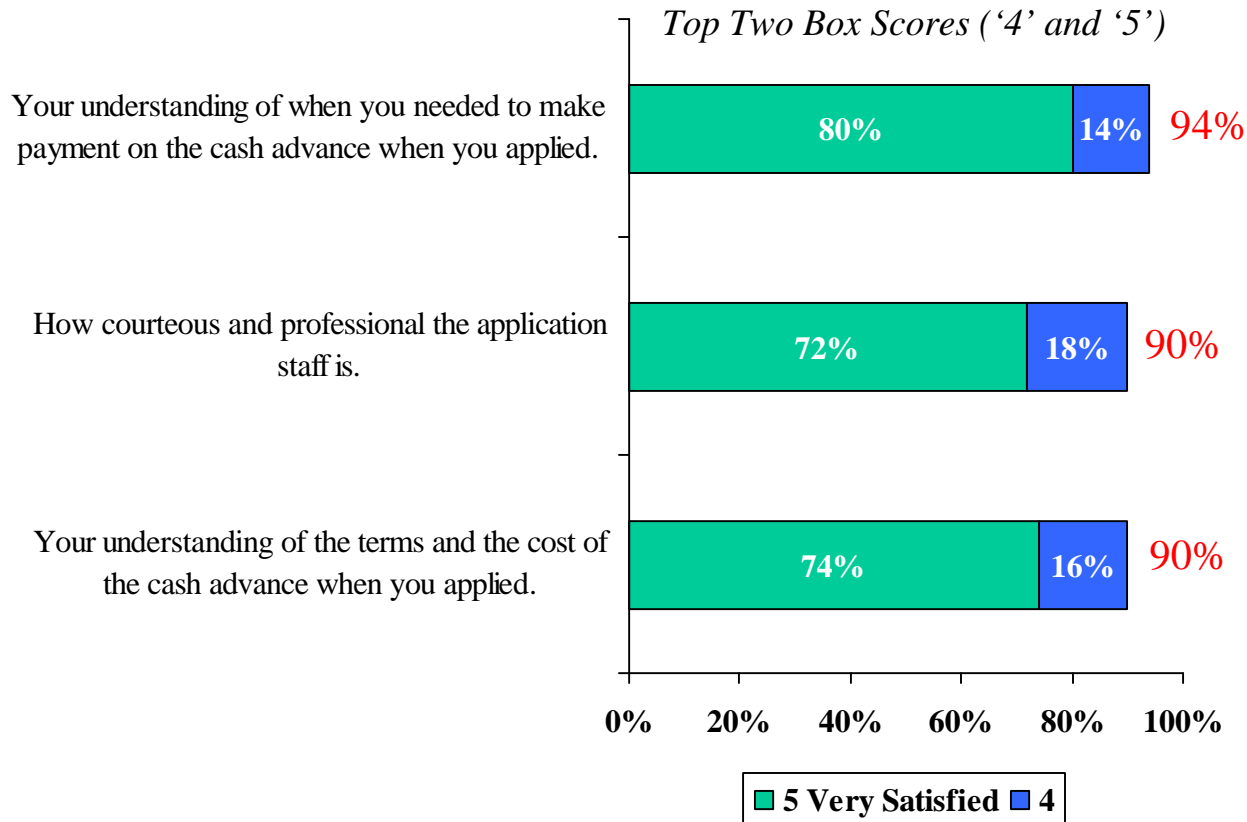
Satisfaction With General Cash Advance Servicing Categories (All Respondents; n=2000)



- Customers expressed high levels of satisfaction with the overall aspects of the payday cash advance: the service they received during the application process (88% top two box score), the service they received while the cash advance was outstanding (the 'pay back' period – 85%), and the cash advance itself (82%).

Customer Satisfaction

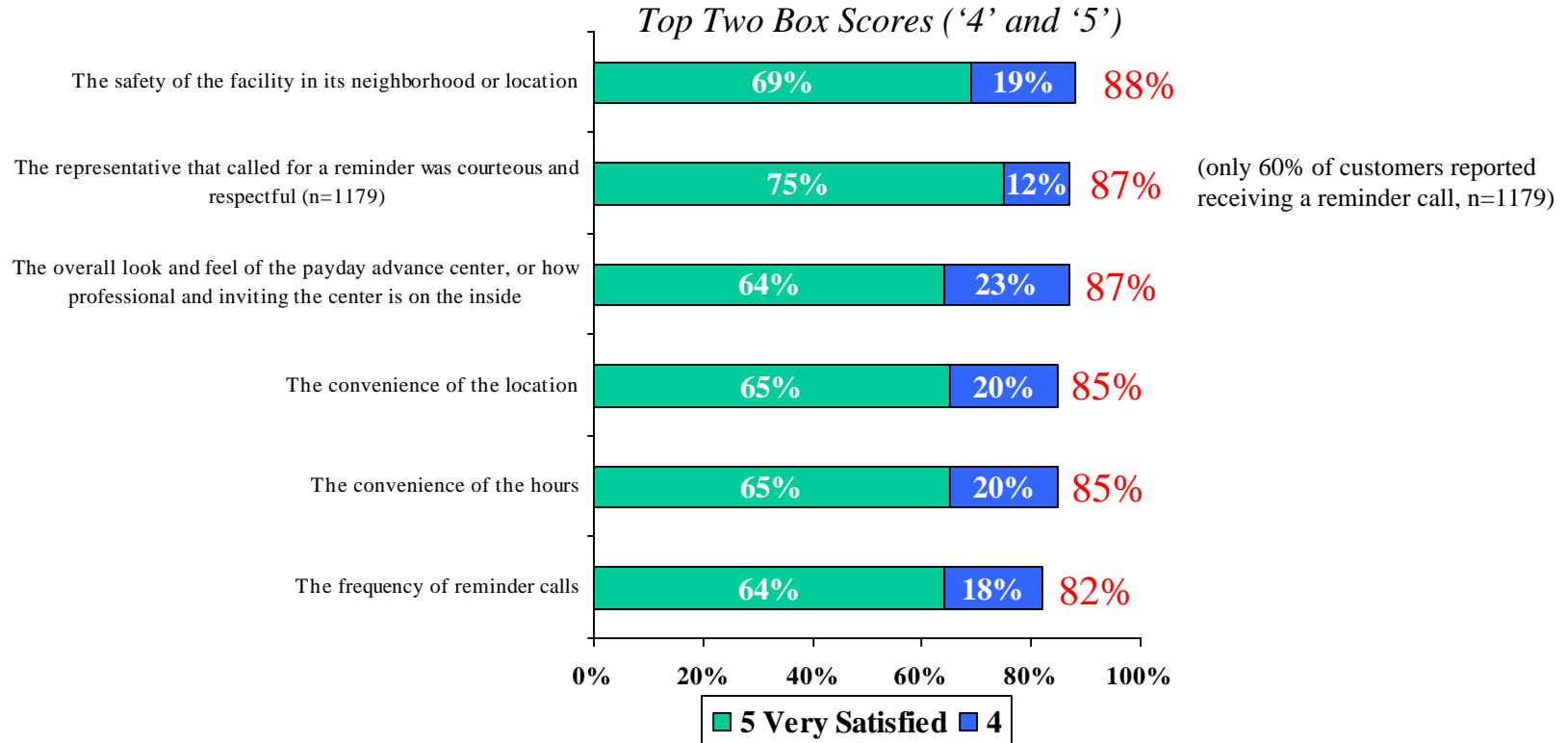
Satisfaction With The Application Process (All Respondents; n=2000)



- Customers expressed extremely high levels of satisfaction with these very important stages of the payday cash advance application process: customers almost unanimously felt they understood when payments needed to be made (94%); almost as many (90%) were satisfied with their understanding of the terms of the cash advance; and, these consumers were satisfied that the application personnel were courteous and professional (90%).

Customer Satisfaction

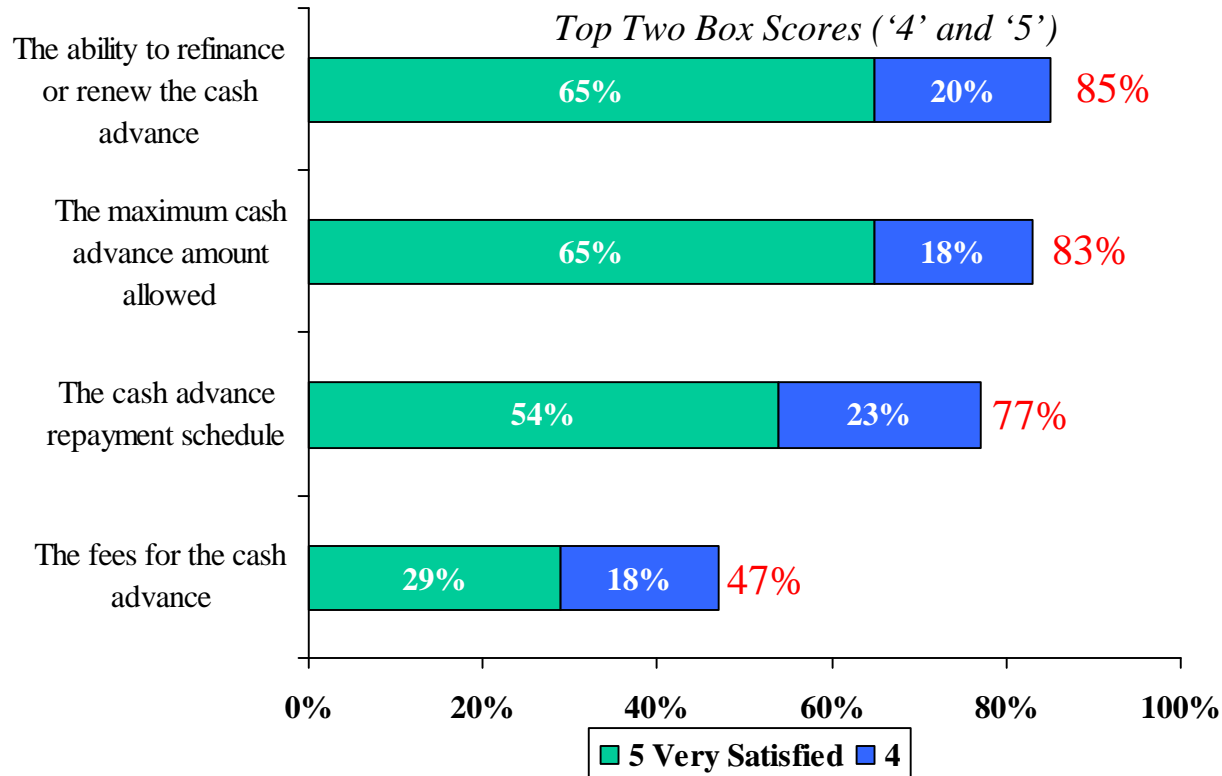
Satisfaction With The Post-Loan Stage (All Respondents; n=2000)



- Customers were no less satisfied with any part of the post-advance stage than they were with the application process. Most customers were satisfied with the safety (88%) and convenience (85%) of the cash advance center's location. Sixty percent reported receiving a reminder call for their cash advance repayment, and 87% were satisfied with how courteous and respectful their caller was and almost as many (82%) were satisfied with the frequency of the reminder calls. These consumers were also very satisfied with the 'overall look' of the payday advance center (how professional and inviting the center is on the inside) (87%). Payday cash advance centers also appear to have frequent enough hours of operation so that most (85%) of their customers are satisfied with the convenience of the hours. It is especially important that customers are satisfied with the hours of operation since 'convenience factors' are both such key reasons that people choose payday advances and they probably play a large role in the cost of operations.

Customer Satisfaction

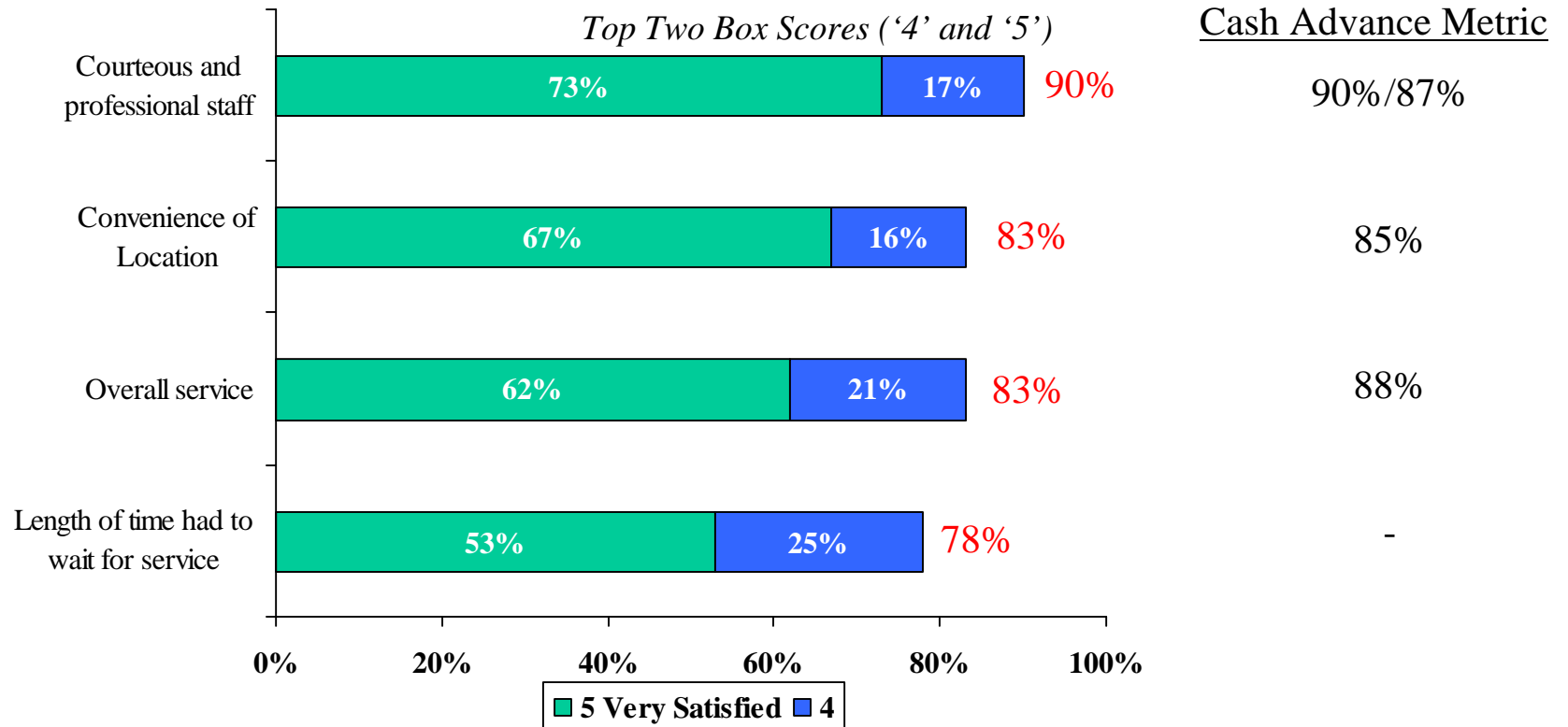
Satisfaction With The Cash Advance (Features) (All Respondents; n=2000)



- The features of the loan (ability to refinance/renew, maximum amount allowed, and the repayment schedule) were also satisfactory to a strong majority of customers. In almost every customer satisfaction survey 'cost' is always a feature which engenders low satisfaction scores (in customers' eyes, costs can never be low enough and still be a positive number). Here we see, however, that almost half (47% of the customers) were satisfied with the fee for the cash advance. Although this is the lowest customer satisfaction measure found in this study, it is not a strong call for action as it is still relatively high (for an item related to cost); it is instead a loud call for the industry to keep this customer concern in mind as the industry matures, potentially adds services, and continues to evaluate cost-to-service ratios. The message is simple: keep costs as low as possible without sacrificing quality and depth of service.

Customer Satisfaction

Details of Satisfaction With A Comparable Neighborhood Services - Banking



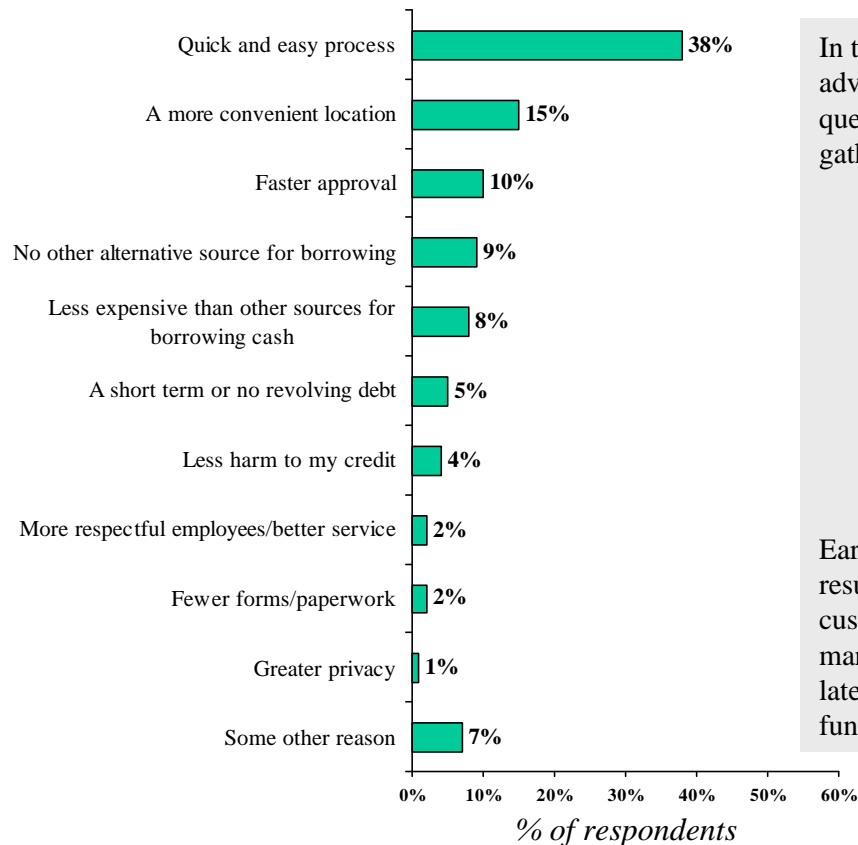
- In order to bring context to satisfaction levels with cash advances and centers, we asked those respondents with recent experiences with banks or a credit union to report their levels of satisfaction on four basic tenets of customer satisfaction: overall service, speed of service, convenience of location, and courteousness/professionalism of staff. Here we compare the percent satisfied with their local (brick & mortar) bank (full graph) vs. comparable measures for cash advance centers (column on right). In two of the measures, the levels of satisfaction for banks vs. cash advance centers were comparable (*courteousness/professionalism of staff* and *convenience of location*). Cash advance centers, however, were rated more highly than banks (by 5 percentage points) for *overall service*.

Section IV: Purchase Decision Process

Purchase Decision Process

Reason for Choosing A Cash Advance (Split Sample; n=1000)

There are many reasons that people choose to obtain a pay day cash advance instead of some other source of money. What was the **MOST IMPORTANT** reason for choosing a payday advance rather than another source? (top-of-mind response; only one choice accepted)



In the survey we asked respondents about their reasons for choosing a cash advance (instead of some other source of money). Here we see the results of a question posed in an ‘open-ended’ way with no cueing from the interviewer to gather the ‘top-of-mind’ response.

- Most of the respondents cited a ‘convenience’ factor as the most prominent in their decision: *quick and easy process* (38%); *a more convenient location* (15%), or *faster approval* (10%).
- When describing their initial reasons for choosing a payday cash advance, older customers placed a little more importance on the ‘convenience factors’ (*quick and easy approval process, convenience of location*) than younger customers, who tended to cite ‘*lack of credit check*’ more often.

Earlier we showed how most of these customers have other options, and this result helps explain why they chose a payday advance. For many of these customers, they are willing to pay for the convenience. And, as we will see later, many need these short-term loans to avoid other fees (bounced check fees and late payment fees). Therefore, this option provides both convenient access to funds and, in many instances, is the better financial choice.

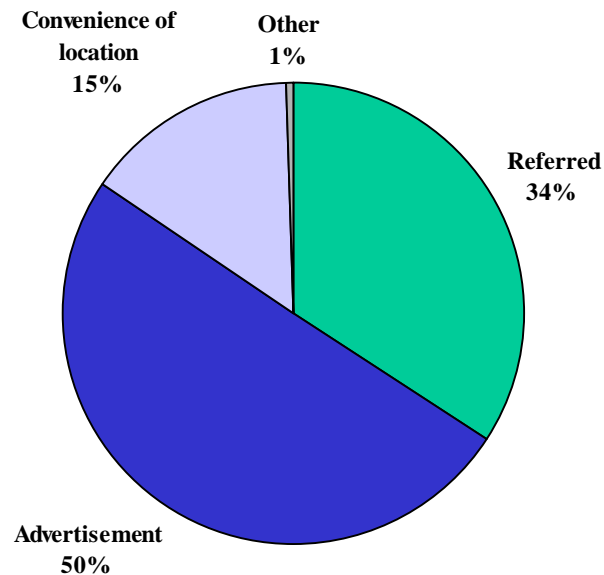
Purchase Decision Process

Influence on Choosing A Payday Advance

(All Respondents; n=2000; weighted data)

Multiple responses accepted; do not total to 100%

What was the main influence on your choosing a payday advance loan the first time you obtained one? Were you referred by a friend or relative, did you learn of the availability of payday advances through some type of advertisements, or did you try a payday advance for some other reason? (forced choice; one choice accepted)

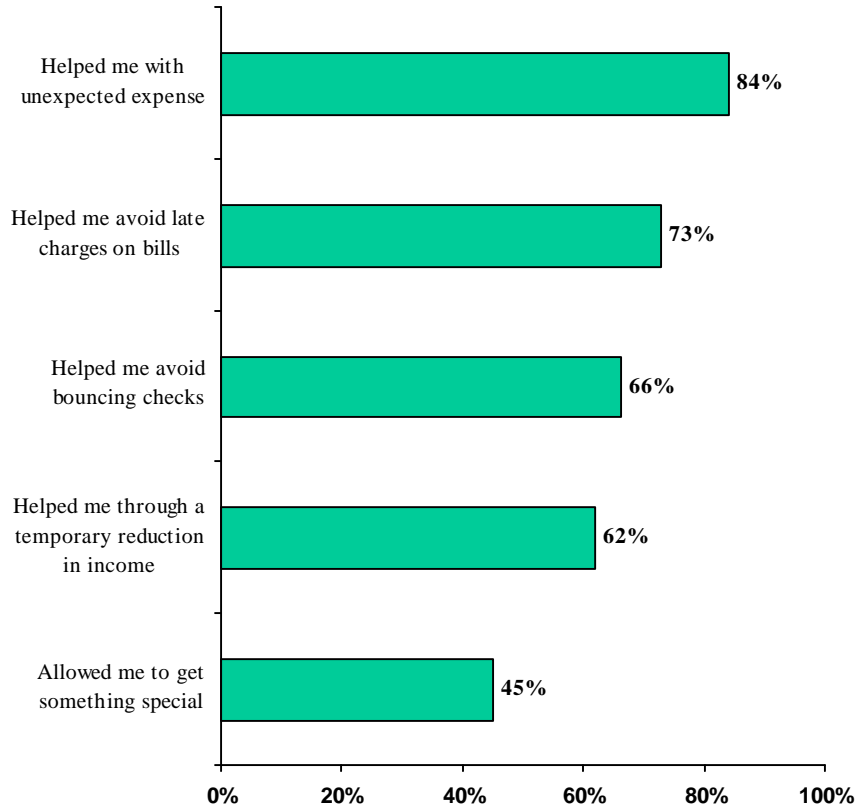


- Because of the industry’s relative youth, we would expect that awareness of this type of service is somewhat low within the general public. It is therefore useful to understand how new customers select a payday cash advance option. Does the convenience of the location play a large role (as it does with retail banks)? Are the services popular enough to warrant a lot of referrals? Or, do advertisements provide the impetus for new customers to try this service? As shown here, ‘advertisements’ were the most common reason that people chose a payday cash advance for the first time (50%). However, referrals play a very large role, as one-third of respondents reported this ‘word-of-mouth advertising’ as their primary source of information before they got their first advance. The convenience of the location appears to have played less of a role in attracting new customers, with only 15% reporting this as their major influence in choosing a payday cash advance. This, combined with the findings of the previous page, suggest that it is the convenience *of the process*, not so much the convenience of the location, which makes payday advances so attractive to some consumers. We don’t want to minimize the importance of location (which plays a large role in the success of any retail business), but we do want to emphasize the importance of payday advance centers keeping vigilant at streamlining the process for obtaining funds.

Purchase Decision Process

Personal Benefits from Obtaining a Payday Advance (All Respondents; n=2000)

In the past year, getting a cash advance has....
% Said 'True'



- Cash advance consumers have numerous reasons for needing to obtain an advance. When asked if each of these statements were 'true' in the past year, we learned that customers of cash advances typically report multiple benefits from obtaining a cash advance loan. A strong majority (84%) reported that in the past year a cash advance loan 'helped them with an unexpected expense.' Many reported that a cash advance was a better choice because of cost: three-in-four (73%) reported that this type of loan helped them 'avoid late charges on bills,' and two of three said that a cash advance 'helped them avoid bouncing checks.' Another two-in-three said an advance helped them 'through a temporary reduction in income.' The least common benefit was more discretionary in nature: 45% said that an advance 'helped them get something special' for themselves or their family.

Section IV: Attitudes Towards Payday Advances

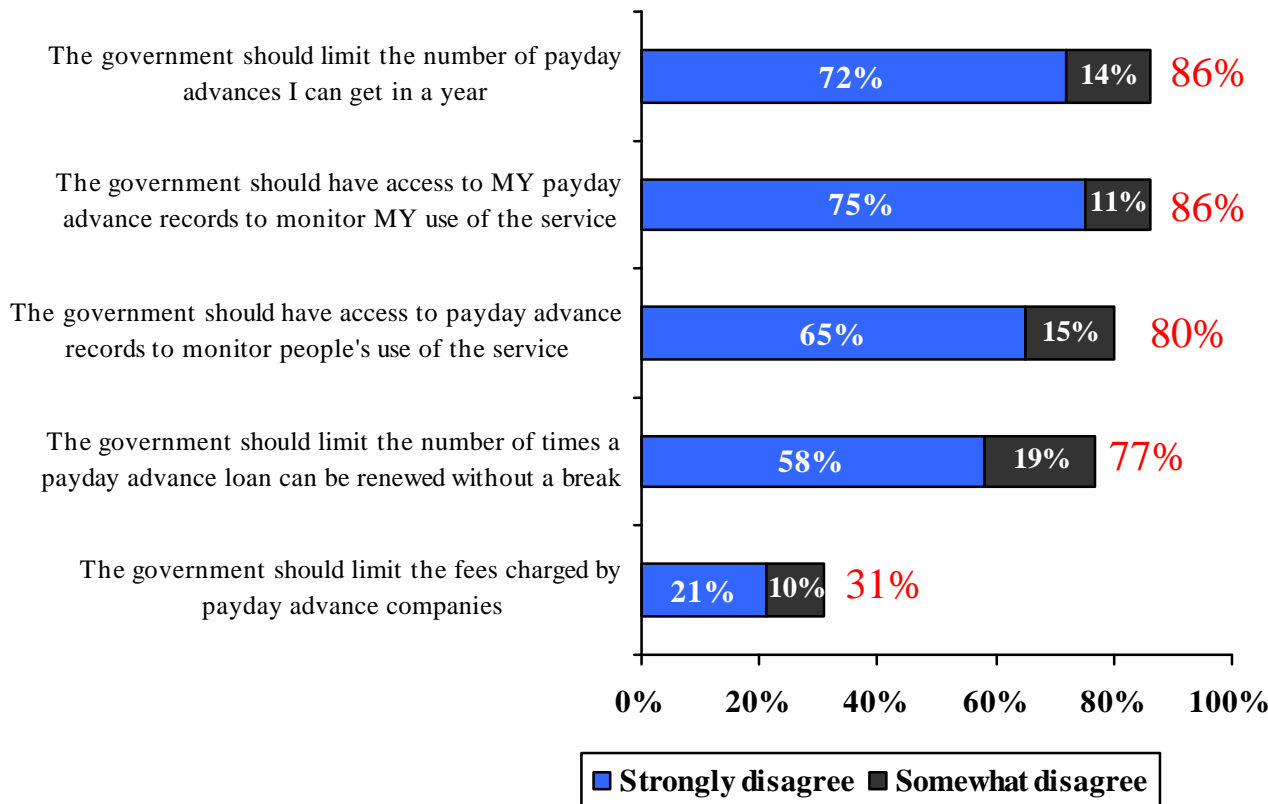
Customer Satisfaction

Attitudes Towards Payday Advances

(All Respondents; n=2000)

Level of Disagreement

(scale=strongly disagree, somewhat disagree, somewhat agree, strongly agree)



- These respondents expressed large levels of disagreement with four of five types of government restriction on cash advances: number of advances allowed per year (86% disagreed); access to respondent’s records to monitor usage of the service (86%); access to ‘people’s’ use of the service to monitor usage (80%); and, limits on the number of allowable renewals (77%). These consumers were less likely to disagree that the government should limit fees (31%).
- These results are very telling. Since these respondents are customers of this service, we would expect a majority of them to be against government limitations of their usage. It would, of course, be more interesting to know what the general community (non-customers also) think about these possibilities. But even given that these respondents are customers, the results are very strong, especially in regard to annual limits on usage and government’s monitoring of that usage. We would expect a lesser majority on these questions if these customers perceived the service to lead to long-term damage to themselves or their families.