



## Economic Impact of the Payday Lending Industry

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**Community Financial Services Association of America**

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## **Preface**

The Community Financial Services Association of America (CFSA) commissioned IHS Global Insight to conduct a comprehensive study of the economic impact of the payday loan industry on the states' economies where the industry has a presence and on the U.S. economy. The purpose of the study is to quantify the positive economic benefits in terms of employment, wages, taxes and income that the payday loan industry provides to state economies. To undertake this exercise IHS Global Insight employed many disparate data sources and sophisticated economic modeling techniques to gain the most comprehensive and accurate view of the industry's impact.

Primary data consisting of a survey of industry members conducted by IHS Global Insight during the Fall of 2008 and the Winter of 2009 resulted in responses by 43 companies representing 10,380 storefronts nationally and a sample size of 44% of the industry. The survey was critical in gaining viable data on storefront locations for an industry where publicly available data is scarce. In addition to the survey, a literature review was conducted and secondary data from the Bureau of Labor Statistics, Bureau of Economic Analysis, industry analysts and economic modeling firms were incorporated into the analysis. The following report is the fruit of that analysis and contains a clear and concise accounting of the economic benefits produced by the presence of the payday loan industry in local economies.

## Executive Summary

The payday loan industry had a presence in 39 states and the District of Columbia in 2007. In addition to providing a needed service in the form of small short-term loans to consumers in these states, the industry was also an economic agent creating benefits for the local economies. As of 2007, there were more than 23,000 payday loan stores nationwide, each with an average of 3.26 employees. In total, more than 77,000 people were directly employed by the payday loan industry. These employment numbers represent only the employees that work at the stores themselves and do not include those employed in corporate headquarters or at larger parent organizations. This report evaluates the economic impact of the industry on the local economies where these storefronts are located as well as the national economy. This analysis is achieved by combining a variety of data sources and incorporating them into an input-output modeling framework.

The results of the input-output modeling exercise demonstrate the following:

- The payday lending industry supports over 155,000 jobs nationally and contributed over \$10 billion to national GDP in 2007.<sup>1</sup> The payday lending industry helped to generate over \$2.6 billion in federal, state and local taxes; \$775 million were taxes on production and the remainder were corporate and personal income taxes.
- The stores themselves, through direct employment, contributed \$2.9 billion in labor income in 2007, which translated to approximately \$37,689 per store employee.<sup>2</sup>

In addition to paying wages and benefits to its own employees, the payday loan industry supports wages, jobs, income and economic activity in other industries through its purchases of goods from supplier industries in local economies and its employees' and supplier industries employees' purchases of goods and services in local economies.

- Suppliers to the payday lending industry contributed \$1.4 billion in labor income as an indirect result of the revenues generated by the payday lending industry. The other ripple effect from industry output stems from the wages of payday lending store employees and supplier industries employees as they are spent in the local economy. Those wages go to support output and employment in other sectors and, in total, contribute another \$2.1 billion to labor income.
- The overall total labor income impact from the payday lending industry is \$6.4 billion.

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<sup>1</sup> The 155,000 jobs include jobs in industries supplying input goods to the payday lending industry as well as jobs sustained due to the spending of wages in local economies by payday lending employees.

<sup>2</sup> Labor income includes other benefits besides wages, such as employer paid health insurance benefits, and employer contributions to Social Security, Medicare and 401K plans.

## Economic Impact of the Payday Lending Industry

Table E1 below shows the impact of the payday loan industry in terms of total impact and as a percent of the total economy. The table lists the top five states based upon the economic activity originating from payday loan stores.

**Table E1: Total Value Added Impact of Payday Lending in Top Five States\1**

	Total Value Added Impact\2	Total GSP for State Economy\3	Impact/GSP
U.S.--Total U.S.	\$ 10,212.73	\$ 13,807,554.10	0.074%
CA--California	\$ 1,155.15	\$ 1,812,968.27	0.064%
TX—Texas*	\$ 812.10	\$ 1,141,961.22	0.071%
FL--Florida	\$ 690.69	\$ 734,520.54	0.094%
TN--Tennessee	\$ 676.72	\$ 243,870.02	0.277%
MO--Missouri	\$ 596.02	\$ 229,469.87	0.260%

\1 Estimates are in \$ millions of current dollars

\2 Value added is the sum of employee compensation, indirect business taxes and other property-type income. It measures the economic activity that originates in the industry.

\3 Gross state product (GSP) is the sum of all economic activity in the state.

\* Operate as credit service organizations for lenders making short-term loans.

- The top three states in Table E1 also have three of the four largest state economies in the U.S., so it is no surprise that they would be among the five states with the largest impacts from the payday loan industry.

**Table E2. Employment Impact of Payday Lending**

	Direct\1	Indirect	Induced	Total Employment Impact
U.S.--Total U.S.	77,088.00	28,453.20	50,039.30	155,580.50
CA--California	7,845.00	2,632.49	4,887.46	15,364.95
TX—Texas*	5,713.00	2,215.57	3,624.77	11,553.34
FL--Florida	4,796.00	1,940.01	3,421.20	10,157.21
TN--Tennessee	4,867.00	1,676.27	3,511.79	10,055.06
MO--Missouri	4,152.00	1,870.72	3,334.52	9,357.23

\1 Direct employment numbers are shown as number of store employees (excluding corporate).

\* Operate as credit service organizations for lenders making short-term loans.

- Unemployment has been rising during the current economic crisis, so every job saved is critical to the well-being of local economies. In addition to the more than 77,000 jobs directly created at the store level by the payday loan industry, the industry sustains tens of thousands more through its purchases from supplier industries. Table E2 above shows the direct effect (payday loan industry), indirect effect (purchase from supplier industries) and induced effect (from spending by payday loan employees and supplier industry employees) on employment generated by the payday loan industry.
- In terms of number of jobs supported by the payday loan industry, the 155,581 total from the table above was between the forestry and logging industry (147,000) and the

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textile industry (164,200) in terms of number of jobs in 2007.<sup>3</sup> These jobs are real and not insignificant; they have value for local economies.

One of the main sources of data was a survey conducted by IHS Global Insight during 2008 and 2009. The results revealed the following:

- Avg. number of employees per store--3.26
- Avg. national wages of store employees--\$25,521 (excludes benefits paid by employers)
- Avg. pct. of store employees covered by company-sponsored health insurance--78%
- Avg. percent of health care premium paid by company--66%
- Avg. number of hours per week stores are open--55.6
- Avg. number of loans per customer--6.6
- Avg. size of a payday loan--\$390
- Avg. amount of total loans in 2007 per customer annually--\$2492

- The survey results reveal that store employees of the payday loan industry receive an average wage in line with occupations such as security guards (\$24,840), preschool teachers (\$25,800) and school bus drivers (\$26,190).<sup>4</sup>

Any discussion of the merits of the payday loan industry needs to include these measurable and significant economic benefits to local economies as well as the credit services it provides many consumers across the country.

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<sup>3</sup> Bureau of Economic Analysis, Department of Commerce, accessed at <http://www.bea.gov/regional/spi/default.cfm?selTable=SA25N>.

<sup>4</sup> Bureau of Labor Statistics, Occupational Employment Statistics, May 2007. Accessed at [http://www.bls.gov/oes/oes\\_dl.htm](http://www.bls.gov/oes/oes_dl.htm).

## Introduction

The purpose of this report is to provide an analysis of the payday lending industry based on hard data. The report includes a state-by-state accounting of the economic impacts of the payday loan industry in terms of output, employment, labor income and taxes generated by the presence of payday loan stores in the states. These impacts are real and are positive factors in the state economies, especially in these trying economic times. The report also presents results from a survey conducted by IHS Global Insight of the payday loan industry.

The payday loan industry provides a critical source of credit for certain individuals. The industry has often been maligned for the fees that it charges, but upon closer examination there may not always be other alternative sources of credit, or the alternative sources of credit are more costly or unacceptable to the borrower. Alternatives such as bounced checks or late fees can be more expensive and damaging to an individual's credit history. In the worst case the alternative may be losing a service or necessity such as an auto used to commute. The payday loan industry exists because it provides a needed service that consumers demand over the alternatives.

This report estimates the economic impact of the payday lending industry in the U.S. It breaks the impacts out on a state-by-state basis for the District of Columbia and the 39 states with an industry presence in 2007. In many of these states lawmakers are debating the merits of the payday loan industry and considering stricter regulations, or in some cases outright elimination of the industry. In many cases these reactions are overwrought with emotion and political grandstanding.

## Overview of the Payday Lending Industry

The typical payday loan is 2-4 weeks. A borrower provides the payday loan establishment with a personal check made out to the payday loan company that they will cover with their next paycheck. The check is for the loan amount and the fee. The typical fee for a loan is about \$15 to \$17 per \$100 borrowed. For example, if a typical customer wanted to borrow \$100, he or she would give the payday loan company a check for \$115 or \$117 and would receive \$100 in cash. On the agreed upon date the payday loan company would cash the check or the customer would reclaim the check by paying the amount due.

To obtain a payday loan, the borrower must have a bank account and steady employment or other source of steady income. There is limited data on payday loan borrowers, but Zinman cites Stegman's review of descriptive studies of payday loan borrowers to state that they often face severe credit restraints, have poor credit histories, one or more

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bounced checks in the previous five years and annual incomes below \$50,000.<sup>5</sup> "Industry Report: Payday Loan Industry 2008 " by Stephens Inc. projects that the payday loan market could encompass 10% of U.S. households.<sup>6</sup> The substitute products for payday loans can have undesirable features for some consumers. Overdraft protection on a checking account may be the closest substitute for payday loans, but its fees are on par with payday loan fees. Automated overdraft usage fees assessed by banks ranged from \$10 to \$38, and the median fee assessed was \$27. About one-fourth of the surveyed banks (24.6 percent) also assessed additional fees on accounts that remained in negative balance status in the form of flat fees or interest charged on a percentage basis.<sup>7</sup> Other sources of credit, pawnshops, auto title and subprime home equity, require collateral and are often not viewed by consumers as suitable alternatives. In this context, payday loans can be a valuable alternative source of credit for consumers; in 2007 the industry provided approximately \$44 billion in credit.<sup>8</sup>

Overall there was a decrease of 2.5% in the number of payday loan stores in the U.S. from 24,189 in 2006 to 23,586 in 2007.<sup>9</sup> There was no clear pattern from state-to-state, with some states experiencing double digit growth and others, due to regulation, experiencing large drops in the number of stores in the state. States with high positive growth in the number of stores in 2007 were South Dakota, Kansas and Nevada; states with the biggest drops were Oregon, Indiana and Minnesota. The sections that follow in this report layout the methodology used in this modeling exercise and the results of the economic impact of the payday loan industry's storefront locations in the states with a payday loan industry presence.

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<sup>5</sup> Zinman (2009).

<sup>6</sup> Stephens (2008).

<sup>7</sup> Federal Deposit Insurance Corporation (2008).

<sup>8</sup> Stephens (2008).

<sup>9</sup> Stephens (2008).

## Methodology

This study analyzes the impact of the payday loan industry on the U.S. economy and the economies of the individual states using a regional input-output modeling framework. IHS Global Insight combined survey responses by 43 companies representing 10,380 storefronts nationally and a sample size of 44% of the industry. These data were combined with an industry report published by Stephens, Inc. to obtain the inputs necessary for the modeling exercise.

IHS Global Insight conducted a survey of the payday loan industry over several months. Respondents were asked to give information on numbers of stores per state and typical amounts paid by stores for local inputs such as janitorial services, office supplies, etc. Respondents also provided information on the typical labor force per store: number of employees, their salary ranges and health insurance benefits. Respondents were also asked about the average number of loans per store, total dollar amount of loans per store and, for multi-line providers, the percentage of store loan portfolio generated by payday loans.

The Stephens Inc. report provides an estimate of total industry revenue and the number of payday loan stores in each state. To calculate the total economic impact of the industry in states, per-store averages gleaned from the survey were combined with the Stephens Inc. stores per state estimates to produce an estimate of the industry size in each state. From there, concepts such as industry output per state and output per worker can be derived and entered into IMPLAN, a regional input-output modeling software developed by MIG, Inc.

The IMPLAN model is a widely used and trusted source for performing economic modeling at the national and local level. A component of the model follows commodity flows from producers through intermediaries to final consumers. The IMPLAN mathematical model contains input-output multipliers that track these commodity flows and describe the per-dollar change in output in every industry resulting from a one-dollar change in final demand in any one particular industry. The analysis contains several types of effects. The three types of effects are:

1. **Direct Effects** are changes in employment, output, income etc in an industry or industries to which changes in final demand (revenue) have been made.
2. **Indirect Effects** are changes in economic activity arising from the changes in inter-industry purchases that occur due to the response to the change in demand of the directly affected industry or industries.
3. **Induced Effects** are changes in economic activity due to the changes in spending from households as income/wages increases or decreases due to the changes in production in the directly affected and indirectly affected industries.

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These effects via multipliers capture the cumulative ripple effects of each dollar spent in the economy. For example, an increase in business in the payday loan industry creates more need for inputs such as office supplies, building maintenance, and technology, which would create demand in those industries for inputs of their own. The reaction would continue until leakages from the region (imports, profits, etc.) stop it. The workers in all the industries affected in the direct and indirect effects categories earn additional income and spend a portion of it on goods and services from local industries which creates another cycle of demand. Thus the overall economic impact of any one industry is the cumulative effect of its direct, indirect and induced effects.

IMPLAN has a national model in addition to individual models for each state. Because the multipliers in each model are specific to each state, they not only describe spending patterns across industries but also yield distinct results for each state. Thus, a dollar of output from the payday loan industry in one state affects state economic activity differently than in another state. The results captured in this analysis reflect the economic impact of the payday loan companies' presence as business entities and do not include the impact of the credit that is provided to their customers.

## Results

### Input-Output Modeling

The economic impact results cited in this study are based on a combination of the Payday Loan Industry Report from the Stephens, Inc. (April 17, 2008) and an IHS Global Insight survey of CFSA members. The data collected were entered into the IMPLAN modeling software. Below are key findings from the analysis.

In 2007, the payday loan industry contributed \$10.2 billion to total U.S. gross domestic product (GDP), which was \$13.8 trillion. Gross domestic product is the total market value of all final goods and services produced in the U.S., and it is the most widely accepted measure of total economic activity. Since goods can be bought and sold multiple times by multiple industries, the contribution to GDP by any one single industry is the value it adds to the inputs it purchases. Thus, beyond buying inputs from other industries, the payday loan industry added \$10.2 billion to the aggregate value of those inputs. Nationally, the industry's value added impact represents 0.07% of GDP.

The payday loan industry's presence varies across the states. Table 1 below shows the value added impact of the industry and the size of the state's economy as measured by gross state product (GSP), the state-level equivalent of national GDP. The states are ranked in order of the absolute level of the economic impact. Mississippi's payday loan industry constitutes 0.43% of GSP and is the largest in terms of size relative to GSP. Other states in which the payday loan industry is more important include Tennessee, Alabama, South Carolina, and Missouri. California has the largest payday loan industry in the nation, but it is also the largest state economy. In terms of relative size, the payday loan industry comprises 0.06% of California GSP, which is among the lowest. The industry is least important in the states of Oregon, Hawaii, and Minnesota.

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**Table 1: Value Added Impact of Payday Lending Relative to Overall Economy\1**

	Total Value Added Impact <sup>2</sup>	Total GSP for State Economy <sup>3</sup>	Value Added Impact/GSP
<b>U.S.--Total U.S.</b>	<b>\$ 10,212.73</b>	<b>\$ 13,807,554.10</b>	<b>0.074%</b>
CA--California	\$ 1,155.15	\$ 1,812,968.27	0.064%
TX--Texas*	\$ 812.10	\$ 1,141,961.22	0.071%
FL--Florida	\$ 690.69	\$ 734,520.54	0.094%
TN--Tennessee	\$ 676.72	\$ 243,870.02	0.277%
MO--Missouri	\$ 596.02	\$ 229,469.87	0.260%
OH--Ohio	\$ 551.97	\$ 466,310.10	0.118%
AL--Alabama	\$ 458.77	\$ 165,792.88	0.277%
SC--South Carolina	\$ 402.81	\$ 152,831.89	0.264%
LA--Louisiana	\$ 400.25	\$ 216,144.56	0.185%
MS--Mississippi	\$ 381.73	\$ 88,545.92	0.431%
IL--Illinois	\$ 372.13	\$ 609,567.62	0.061%
VA--Virginia	\$ 351.20	\$ 382,964.89	0.092%
MI--Michigan	\$ 338.99	\$ 381,963.53	0.089%
AZ--Arizona	\$ 326.09	\$ 247,028.89	0.132%
KY--Kentucky	\$ 309.82	\$ 154,184.80	0.201%
WA--Washington	\$ 301.44	\$ 311,269.24	0.097%
CO--Colorado	\$ 294.25	\$ 236,324.84	0.125%
WI--Wisconsin	\$ 213.91	\$ 232,292.92	0.092%
IN--Indiana	\$ 201.26	\$ 246,439.05	0.082%
UT--Utah	\$ 169.77	\$ 105,656.67	0.161%
OK--Oklahoma	\$ 162.78	\$ 139,324.64	0.117%
NV--Nevada	\$ 157.97	\$ 127,215.01	0.124%
KS--Kansas	\$ 141.76	\$ 117,303.78	0.121%
IA--Iowa	\$ 125.37	\$ 129,024.77	0.097%
NM--New Mexico	\$ 103.00	\$ 76,176.88	0.135%
NE--Nebraska	\$ 89.08	\$ 80,092.82	0.111%
AR--Arkansas	\$ 85.90	\$ 95,370.90	0.090%
ID--Idaho	\$ 81.42	\$ 51,148.92	0.159%
SD--South Dakota	\$ 47.19	\$ 33,934.94	0.139%
MT--Montana	\$ 42.16	\$ 34,252.91	0.123%
DE--Delaware	\$ 37.48	\$ 60,117.11	0.062%
WY--Wyoming	\$ 28.52	\$ 31,513.96	0.090%
ND--North Dakota	\$ 26.76	\$ 27,722.92	0.097%
MN--Minnesota	\$ 24.80	\$ 254,968.65	0.010%
NH--New Hampshire	\$ 19.10	\$ 57,340.05	0.033%
AK--Alaska	\$ 11.86	\$ 44,517.01	0.027%
DC--District of Columbia	\$ 11.09	\$ 93,818.91	0.012%
RI--Rhode Island	\$ 5.04	\$ 46,903.03	0.011%
HI--Hawaii	\$ 4.20	\$ 61,532.94	0.007%
OR--Oregon	\$ 2.17	\$ 158,233.85	0.001%

\1 Estimates are in \$ millions of current dollars

\2 Value added is the sum of employee compensation, indirect business taxes and other property-type income. It measures the economic activity that originates in the industry.

\3 Gross state product (GSP) is the sum of all economic activity in the state.

\* Operate as credit service organizations for lenders making short-term loans.

As of 2007, there were more than 23,000 payday loan stores nationwide, each with an average of 3.26 employees. In total, more than 77,000 people were directly employed by the payday loan industry. These employment numbers represent only the employees that work at the stores themselves and do not include those employed in corporate headquarters or at larger parent organizations. Employment impact in each state is shown below in Table 2.

## Economic Impact of the Payday Lending Industry

To fully capture the economic impact of the sector on total employment, the analysis needs to be widened to encompass related industries. Growth in the industry fuels additional demand for inputs. Thus, increases in output in the payday loan industry will indirectly boost output in supplier industries. This study estimates that the payday loan industry indirectly creates 28,453 jobs in supporting industries. In aggregate, the payday loan industry is responsible for generating 155,580 jobs in the broader economy. Aside from industry jobs and supplier jobs, payday loan store employees also induce job creation through their spending. The wages received by payday loan store employees and supplier industries' employees are disbursed throughout the economy, bolstering final demand in various industries. Employee spending supports growth in other industries and contributes to the presence of another 50,000 plus jobs.

**Table 2: Employment Impact of Payday Lending**

	Direct\1	Indirect	Induced	Total Employment Impact
<b>U.S.--Total U.S.</b>	<b>77,088</b>	<b>28,453</b>	<b>50,039</b>	<b>155,581</b>
AL--Alabama	3,803	1,426	2,247	7,476
AK--Alaska	101	29	49	179
AZ--Arizona	2,403	886	1,548	4,837
AR--Arkansas	735	274	468	1,477
CA--California	7,845	2,632	4,887	15,365
CO--Colorado	2,093	783	1,354	4,229
DE--Delaware	310	66	163	539
DC--District of Columbia	111	20	14	145
FL--Florida	4,796	1,940	3,421	10,157
HI--Hawaii	33	11	20	65
ID--Idaho	689	255	436	1,380
IL--Illinois	2,481	860	1,740	5,080
IN--Indiana	1,603	532	1,060	3,195
IA--Iowa	1,028	347	701	2,076
KS--Kansas	1,130	405	741	2,276
KY--Kentucky	2,628	941	1,600	5,169
LA--Louisiana	3,235	1,360	2,123	6,718
MI--Michigan	2,537	826	1,639	5,003
MN--Minnesota	176	66	124	366
MS--Mississippi	3,431	1,282	1,986	6,698
MO--Missouri	4,152	1,871	3,335	9,357
MT--Montana	369	136	227	732
NE--Nebraska	712	287	502	1,501
NV--Nevada	1,276	407	617	2,300
NH--New Hampshire	147	43	92	282
NM--New Mexico	826	360	543	1,729
ND--North Dakota	248	100	138	487
OH--Ohio	4,299	1,664	2,798	8,761
OK--Oklahoma	1,270	615	856	2,741
OR--Oregon	16	6	11	34
RI--Rhode Island	42	10	23	74
SC--South Carolina	3,431	1,136	2,008	6,575
SD--South Dakota	408	146	262	816
TN--Tennessee	4,867	1,676	3,512	10,055
TX--Texas*	5,713	2,216	3,625	11,553
UT--Utah	1,273	607	929	2,809
VA--Virginia	2,618	799	1,639	5,056
WA--Washington	2,305	699	1,342	4,346
WI--Wisconsin	1,684	639	1,139	3,462
WY--Wyoming	264	94	124	482

\1 Direct employment numbers are shown as number of store employees (excluding corporate).

\* Operate as credit service organizations for lenders making short-term loans.

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The industry generated \$2.9 billion in labor income, which translates to approximately \$37,689 per store employee. It is important to note that labor income consists of more than employee wages. Benefits and bonuses are also included. Employer contributions to pension plans, employer-sponsored insurance premiums and proprietors' income are all captured by labor income.

Table 3 below offers a state by state break down of the labor income impact produced by the payday loan industry. The stores themselves, through direct employment, contributed \$2.9 billion in labor income. Suppliers to the payday loan industry gained \$1.4 billion in labor income as an indirect result of the revenues generated by the payday loan industry. The other ripple effect from industry output stems from the wages of payday loan store employees and supplier industries employees as they are spent in the general economy. Those wages go to support output and employment in other sectors and, in total, contribute another \$2.1 billion to labor income. Thus, overall, the total labor income impact from the payday loan industry is \$6.4 billion—\$2.9 billion for the industry itself, \$1.4 billion for its suppliers, and \$2.1 generated from the wages of payday loan store employees and supplier industries employees.

## Economic Impact of the Payday Lending Industry

**Table 3: Labor Income Impacts by State of Payday Lending<sup>1, 2</sup>**

	Direct	Indirect	Induced	Total Labor Income Impact
<b>U.S.--Total U.S.</b>	<b>\$ 2,905.35</b>	<b>\$ 1,360.94</b>	<b>\$ 2,149.50</b>	<b>\$ 6,415.80</b>
AL--Alabama	\$ 138.80	\$ 58.16	\$ 87.81	\$ 284.77
AK--Alaska	\$ 3.91	\$ 1.32	\$ 2.09	\$ 7.32
AZ--Arizona	\$ 92.77	\$ 42.64	\$ 69.44	\$ 204.86
AR--Arkansas	\$ 26.62	\$ 10.25	\$ 16.65	\$ 53.52
CA--California	\$ 310.41	\$ 161.44	\$ 264.31	\$ 736.16
CO--Colorado	\$ 80.04	\$ 41.61	\$ 62.88	\$ 184.53
DE--Delaware	\$ 12.72	\$ 3.38	\$ 7.43	\$ 23.53
DC--District of Columbia	\$ 4.71	\$ 1.77	\$ 0.87	\$ 7.35
FL--Florida	\$ 183.79	\$ 97.77	\$ 154.50	\$ 436.07
HI--Hawaii	\$ 1.27	\$ 0.52	\$ 0.86	\$ 2.64
ID--Idaho	\$ 25.61	\$ 9.68	\$ 15.33	\$ 50.61
IL--Illinois	\$ 97.88	\$ 52.48	\$ 86.51	\$ 236.87
IN--Indiana	\$ 60.17	\$ 22.98	\$ 41.92	\$ 125.07
IA--Iowa	\$ 39.84	\$ 13.68	\$ 24.98	\$ 78.50
KS--Kansas	\$ 42.56	\$ 17.27	\$ 28.38	\$ 88.21
KY--Kentucky	\$ 94.91	\$ 39.03	\$ 61.47	\$ 195.41
LA--Louisiana	\$ 113.67	\$ 56.47	\$ 80.35	\$ 250.49
MI--Michigan	\$ 97.29	\$ 45.62	\$ 70.57	\$ 213.48
MN--Minnesota	\$ 6.82	\$ 3.46	\$ 5.45	\$ 15.73
MS--Mississippi	\$ 118.10	\$ 47.11	\$ 70.93	\$ 236.14
MO--Missouri	\$ 155.59	\$ 86.04	\$ 137.02	\$ 378.64
MT--Montana	\$ 13.32	\$ 4.90	\$ 7.73	\$ 25.95
NE--Nebraska	\$ 26.29	\$ 11.94	\$ 18.38	\$ 56.61
NV--Nevada	\$ 49.27	\$ 20.08	\$ 28.96	\$ 98.32
NH--New Hampshire	\$ 5.69	\$ 2.27	\$ 4.11	\$ 12.08
NM--New Mexico	\$ 29.45	\$ 14.58	\$ 20.21	\$ 64.23
ND--North Dakota	\$ 8.75	\$ 3.40	\$ 4.60	\$ 16.75
OH--Ohio	\$ 159.50	\$ 77.72	\$ 111.73	\$ 348.95
OK--Oklahoma	\$ 44.11	\$ 24.52	\$ 32.52	\$ 101.15
OR--Oregon	\$ 0.63	\$ 0.28	\$ 0.46	\$ 1.37
RI--Rhode Island	\$ 1.68	\$ 0.48	\$ 1.02	\$ 3.18
SC--South Carolina	\$ 124.60	\$ 47.38	\$ 76.46	\$ 248.44
SD--South Dakota	\$ 14.40	\$ 5.35	\$ 9.30	\$ 29.05
TN--Tennessee	\$ 185.20	\$ 83.62	\$ 156.72	\$ 425.54
TX--Texas*	\$ 219.41	\$ 115.70	\$ 168.90	\$ 504.00
UT--Utah	\$ 45.35	\$ 25.40	\$ 35.97	\$ 106.72
VA--Virginia	\$ 106.45	\$ 42.78	\$ 71.09	\$ 220.32
WA--Washington	\$ 91.93	\$ 36.10	\$ 62.55	\$ 190.58
WI--Wisconsin	\$ 62.39	\$ 28.19	\$ 44.77	\$ 135.34
WY--Wyoming	\$ 9.44	\$ 3.57	\$ 4.30	\$ 17.32

<sup>1</sup> Estimates are in \$ millions of current dollars

<sup>2</sup> Labor income is the sum of employee compensation, including benefits, and proprietors' income

\* Operate as credit service organizations for lenders making short-term loans.

Additional tables of results from the IMPLAN modeling exercise can be found in the Appendix to this report.

### Survey

IHS Global Insight conducted a survey of members of the CFSA during the Fall of 2008 and the Winter of 2009. Results of the survey were incorporated with other data sources and used as inputs to the economic modeling exercise. Some of the results of the survey are given below.



## Economic Impact of the Payday Lending Industry

Using Stephens Inc. 2008 as a benchmark for the size of the payday loan industry on a number of stores basis, the survey covered 44% of the industry, or 10,380 stores. On a dollar amount of loans extended the coverage was 38% of the industry or \$16.8 billion of \$44 billion. The coverage varied by state. In the two largest states, by number of stores for example, the survey covered 45% (CA) and 68% (TX) of the stores in the states. On average respondents indicated that 87% of their 2007 national loan portfolios were generated by payday loan advances. This indicates that the survey was primarily covering payday loan companies and not companies engaged in providing multiple credit or other payment services.

In order to apply the survey results to the Stephens Inc. 2008 store counts we asked respondents to state many of the answers on a per store basis. Below are some statistics from the survey at the national level on a per store basis.

Average number of employees per store -- 3.26  
Avg. wages of store employees -- \$25,521 (excludes benefits paid by employers)  
Percent of store employees covered by company sponsored health insurance -- 78%  
Percent of health care premium paid by company -- 66%  
Average number of hours per week stores are open -- 55.6  
Average number of loans per customer -- 6.6  
Average size of a payday loan -- \$390  
Average amount of total loans in 2007 per customer annually -- \$2492

In addition to the above information, data was collected on store purchases for business items such as rent, office supplies, taxes and number of stores per state. Where applicable this data was incorporated into the input-output modeling exercise in IMPLAN.

## **Conclusion**

In addition to being a valuable source of credit for a portion of society, the payday loan industry makes significant contributions to state economies. These businesses are vital economic agents which purchase services from other local companies and pay local, state and national taxes. The 155,000 jobs that the industry supports are more important than ever, given the current economic crisis. These jobs provide salaries, benefits and retirement investment for individuals that might not otherwise be provided.

## Appendix

**Table A1. Value Added Impact of Payday Lending in 2007\1**

	Value Added Impact\2			Total Value Added Impact
	Direct	Indirect	Induced	
U.S.	\$ 4,438.0	\$ 1,963.9	\$ 3,810.8	\$ 10,212.7
AL	\$ 211.9	\$ 85.7	\$ 161.1	\$ 458.8
AK	\$ 6.0	\$ 2.0	\$ 3.8	\$ 11.9
AZ	\$ 141.7	\$ 62.1	\$ 122.3	\$ 326.1
AR	\$ 40.6	\$ 15.1	\$ 30.2	\$ 85.9
CA	\$ 474.2	\$ 227.8	\$ 453.2	\$ 1,155.1
CO	\$ 122.3	\$ 60.3	\$ 111.7	\$ 294.3
DE	\$ 19.4	\$ 5.0	\$ 13.1	\$ 37.5
DC	\$ 7.2	\$ 2.4	\$ 1.5	\$ 11.1
FL	\$ 280.6	\$ 139.9	\$ 270.2	\$ 690.7
HI	\$ 1.9	\$ 0.8	\$ 1.5	\$ 4.2
ID	\$ 39.1	\$ 14.5	\$ 27.8	\$ 81.4
IL	\$ 149.5	\$ 73.5	\$ 149.2	\$ 372.1
IN	\$ 91.9	\$ 34.1	\$ 75.3	\$ 201.3
IA	\$ 60.9	\$ 19.7	\$ 44.8	\$ 125.4
KS	\$ 65.0	\$ 25.4	\$ 51.4	\$ 141.8
KY	\$ 144.9	\$ 55.9	\$ 108.9	\$ 309.8
LA	\$ 173.6	\$ 83.0	\$ 143.7	\$ 400.3
MI	\$ 148.6	\$ 65.5	\$ 124.8	\$ 339.0
MN	\$ 10.4	\$ 4.9	\$ 9.5	\$ 24.8
MS	\$ 180.3	\$ 70.3	\$ 131.1	\$ 381.7
MO	\$ 237.5	\$ 122.0	\$ 236.5	\$ 596.0
MT	\$ 20.3	\$ 7.6	\$ 14.2	\$ 42.2
NE	\$ 40.2	\$ 16.7	\$ 32.2	\$ 89.1
NV	\$ 75.5	\$ 29.1	\$ 53.4	\$ 158.0
NH	\$ 8.7	\$ 3.3	\$ 7.1	\$ 19.1
NM	\$ 45.0	\$ 21.4	\$ 36.6	\$ 103.0
ND	\$ 13.4	\$ 5.1	\$ 8.3	\$ 26.8
OH	\$ 243.6	\$ 111.0	\$ 197.4	\$ 552.0
OK	\$ 67.4	\$ 36.2	\$ 59.3	\$ 162.8
OR	\$ 1.0	\$ 0.4	\$ 0.8	\$ 2.2
RI	\$ 2.6	\$ 0.7	\$ 1.8	\$ 5.0
SC	\$ 190.3	\$ 71.4	\$ 141.1	\$ 402.8
SD	\$ 22.0	\$ 8.3	\$ 16.9	\$ 47.2
TN	\$ 283.0	\$ 120.3	\$ 273.5	\$ 676.7
TX*	\$ 335.2	\$ 167.7	\$ 309.2	\$ 812.1
UT	\$ 69.3	\$ 37.1	\$ 63.5	\$ 169.8
VA	\$ 162.7	\$ 60.7	\$ 127.8	\$ 351.2
WA	\$ 140.7	\$ 51.5	\$ 109.3	\$ 301.4
WI	\$ 95.3	\$ 40.1	\$ 78.5	\$ 213.9
WY	\$ 14.4	\$ 5.5	\$ 8.6	\$ 28.5

\1 Estimates are in \$ millions of current dollars

\2 Value added is the sum of employee compensation, indirect business taxes and other property-type income. It measures the economic activity that originates in the state.

\* Operate as credit service organizations for lenders making short-term loans.

Economic Impact of the Payday Lending Industry

**Table A2. Total Output Impact of Payday Loan Industry in 2007\1**

	Total Output Impact\2			Total Output Impact
	Direct	Indirect	Induced	
U.S.	\$ 6,800.0	\$ 3,437.2	\$ 6,994.1	\$ 17,231.3
AL	\$ 335.5	\$ 153.8	\$ 298.1	\$ 787.4
AK	\$ 8.9	\$ 3.6	\$ 6.7	\$ 19.3
AZ	\$ 211.9	\$ 111.1	\$ 220.0	\$ 543.0
AR	\$ 64.8	\$ 27.7	\$ 57.4	\$ 149.9
CA	\$ 692.0	\$ 384.9	\$ 822.8	\$ 1,899.7
CO	\$ 184.6	\$ 102.8	\$ 201.5	\$ 488.9
DE	\$ 27.4	\$ 8.5	\$ 23.4	\$ 59.2
DC	\$ 9.8	\$ 3.6	\$ 2.4	\$ 15.8
FL	\$ 423.0	\$ 240.5	\$ 478.4	\$ 1,141.9
HI	\$ 2.9	\$ 1.3	\$ 2.7	\$ 6.9
ID	\$ 60.8	\$ 26.7	\$ 51.4	\$ 138.9
IL	\$ 218.9	\$ 121.1	\$ 271.2	\$ 611.2
IN	\$ 141.4	\$ 60.9	\$ 142.9	\$ 345.2
IA	\$ 90.7	\$ 35.5	\$ 83.8	\$ 210.0
KS	\$ 99.6	\$ 46.3	\$ 96.2	\$ 242.2
KY	\$ 231.8	\$ 100.8	\$ 204.9	\$ 537.6
LA	\$ 285.4	\$ 150.4	\$ 267.8	\$ 703.5
MI	\$ 223.7	\$ 110.6	\$ 226.2	\$ 560.5
MN	\$ 15.6	\$ 8.4	\$ 17.7	\$ 41.7
MS	\$ 302.7	\$ 131.2	\$ 252.0	\$ 685.9
MO	\$ 366.3	\$ 213.4	\$ 438.9	\$ 1,018.6
MT	\$ 32.5	\$ 14.6	\$ 26.9	\$ 74.0
NE	\$ 62.8	\$ 30.7	\$ 60.6	\$ 154.1
NV	\$ 112.6	\$ 50.2	\$ 91.5	\$ 254.3
NH	\$ 13.0	\$ 5.5	\$ 12.6	\$ 31.0
NM	\$ 72.9	\$ 39.1	\$ 68.2	\$ 180.1
ND	\$ 21.9	\$ 9.9	\$ 15.6	\$ 47.4
OH	\$ 379.2	\$ 194.8	\$ 366.9	\$ 941.0
OK	\$ 112.0	\$ 66.6	\$ 110.3	\$ 289.0
OR	\$ 1.4	\$ 0.7	\$ 1.5	\$ 3.6
RI	\$ 3.7	\$ 1.2	\$ 3.2	\$ 8.1
SC	\$ 302.7	\$ 126.3	\$ 257.6	\$ 686.5
SD	\$ 36.0	\$ 15.4	\$ 31.4	\$ 82.8
TN	\$ 429.4	\$ 207.5	\$ 502.0	\$ 1,138.8
TX*	\$ 503.9	\$ 289.2	\$ 567.5	\$ 1,360.6
UT	\$ 112.3	\$ 69.3	\$ 122.6	\$ 304.2
VA	\$ 230.9	\$ 101.7	\$ 228.4	\$ 561.0
WA	\$ 203.3	\$ 90.8	\$ 199.9	\$ 494.1
WI	\$ 148.6	\$ 70.2	\$ 145.6	\$ 364.4
WY	\$ 23.3	\$ 10.2	\$ 15.5	\$ 49.1

\1 Estimates are in \$ millions of current dollars

\2 Total output is the sum of value added and intermediate inputs to production.

\* Operate as credit service organizations for lenders making short-term loans.

Economic Impact of the Payday Lending Industry

**Table A3. Indirect Business Tax Impact of Payday Lending in 2007\1**

Indirect Business Taxes Impact <sup>2</sup>				
	Direct	Indirect	Induced	Total Indirect Business Tax Impact
U.S.	\$ 315.5	\$ 107.3	\$ 352.9	\$ 775.7
AL	\$ 15.1	\$ 4.7	\$ 15.1	\$ 34.8
AK	\$ 0.4	\$ 0.1	\$ 0.4	\$ 0.9
AZ	\$ 10.1	\$ 3.4	\$ 11.2	\$ 24.7
AR	\$ 2.9	\$ 0.9	\$ 2.8	\$ 6.6
CA	\$ 33.7	\$ 11.9	\$ 40.6	\$ 86.2
CO	\$ 8.7	\$ 3.4	\$ 10.5	\$ 22.5
DE	\$ 1.4	\$ 0.3	\$ 1.2	\$ 2.9
DC	\$ 0.5	\$ 0.1	\$ 0.1	\$ 0.7
FL	\$ 19.9	\$ 7.5	\$ 25.0	\$ 52.5
HI	\$ 0.1	\$ 0.0	\$ 0.1	\$ 0.3
ID	\$ 2.8	\$ 0.9	\$ 2.7	\$ 6.3
IL	\$ 10.6	\$ 3.8	\$ 13.3	\$ 27.7
IN	\$ 6.5	\$ 2.0	\$ 7.0	\$ 15.6
IA	\$ 4.3	\$ 1.0	\$ 4.2	\$ 9.6
KS	\$ 4.6	\$ 1.4	\$ 4.9	\$ 10.9
KY	\$ 10.3	\$ 2.9	\$ 10.1	\$ 23.4
LA	\$ 12.3	\$ 4.5	\$ 13.5	\$ 30.4
MI	\$ 10.6	\$ 3.5	\$ 11.4	\$ 25.5
MN	\$ 0.7	\$ 0.3	\$ 0.9	\$ 1.9
MS	\$ 12.8	\$ 4.2	\$ 12.7	\$ 29.6
MO	\$ 16.9	\$ 6.4	\$ 21.5	\$ 44.8
MT	\$ 1.4	\$ 0.5	\$ 1.4	\$ 3.3
NE	\$ 2.9	\$ 0.8	\$ 3.0	\$ 6.6
NV	\$ 5.4	\$ 1.7	\$ 5.3	\$ 12.4
NH	\$ 0.6	\$ 0.2	\$ 0.7	\$ 1.5
NM	\$ 3.2	\$ 1.2	\$ 3.5	\$ 7.9
ND	\$ 0.9	\$ 0.3	\$ 0.8	\$ 2.0
OH	\$ 17.3	\$ 5.5	\$ 17.1	\$ 39.9
OK	\$ 4.8	\$ 1.9	\$ 5.5	\$ 12.2
OR	\$ 0.1	\$ 0.0	\$ 0.1	\$ 0.2
RI	\$ 0.2	\$ 0.0	\$ 0.2	\$ 0.4
SC	\$ 13.5	\$ 4.6	\$ 13.9	\$ 32.0
SD	\$ 1.6	\$ 0.6	\$ 1.7	\$ 3.8
TN	\$ 20.1	\$ 6.5	\$ 24.7	\$ 51.3
TX*	\$ 23.8	\$ 9.4	\$ 30.1	\$ 63.3
UT	\$ 4.9	\$ 2.1	\$ 5.9	\$ 13.0
VA	\$ 11.6	\$ 3.3	\$ 11.9	\$ 26.8
WA	\$ 10.0	\$ 2.8	\$ 10.1	\$ 23.0
WI	\$ 6.8	\$ 2.2	\$ 7.2	\$ 16.1
WY	\$ 1.0	\$ 0.4	\$ 0.9	\$ 2.3

\1 Estimates are in \$ millions of current dollars

\2 Indirect business taxes consist of Federal excise taxes and customs duties, state and local sales taxes, property taxes, motor vehicle licenses, severance taxes, and special assessments.

\* Operate as credit service organizations for lenders making short-term loans.

## Economic Impact of the Payday Lending Industry

**Table A4. Total Tax Impact of the Payday Lending Industry in 2007\1**

Total Tax Impact <sup>2</sup>	
<b>U.S.</b>	<b>\$ 2,630.0</b>
AL	\$ 116.1
AK	\$ 3.4
AZ	\$ 85.4
AR	\$ 22.4
CA	\$ 325.0
CO	\$ 75.6
DE	\$ 11.2
DC	\$ 2.5
FL	\$ 175.9
HI	\$ 1.1
ID	\$ 21.7
IL	\$ 97.4
IN	\$ 51.8
IA	\$ 32.5
KS	\$ 36.7
KY	\$ 81.2
LA	\$ 95.7
MI	\$ 89.8
MN	\$ 6.7
MS	\$ 96.8
MO	\$ 147.2
MT	\$ 11.3
NE	\$ 22.4
NV	\$ 41.7
NH	\$ 5.1
NM	\$ 26.1
ND	\$ 6.8
OH	\$ 146.7
OK	\$ 39.8
OR	\$ 0.6
RI	\$ 1.4
SC	\$ 105.6
SD	\$ 11.3
TN	\$ 158.9
TX*	\$ 193.6
UT	\$ 43.3
VA	\$ 95.9
WA	\$ 76.9
WI	\$ 58.8
WY	\$ 7.6

\1Estimates are in \$ millions of current dollars

\2In addition to indirect business taxes, total taxes account for taxes such as income taxes (corporate and personal) and taxes on final consumption.

\* Operate as credit service organizations for lenders making short-term loans.

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