FINANCIAL SERVICE CENTERS OF AMERICA
Fact Sheet: Payday Advances

Payday Advances Offer Consumers A More Desirable Alternative To Other Credit Options

Payday advances (PDAs) are small, short-term cash advances, typically of $500 or less. In recent years, PDAs have become an increasingly popular choice for American consumers in need of small dollar, short-term credit and 35 states have laws permitting these loans. Today industry analysts estimate that there are more than 22,000 locations that offer PDAs nationwide, extending nearly $50 billion annually in short-term credit to between 15 and 17 million American households. Transparency is a key element of the PDA product. All terms and fees are clearly posted in every store and included in every contract. Members offering short term loans also adhere to a rigorous code of conduct. FiSCA's Code of Conduct can be found by visiting www.fisca.org.

How does a payday advance work?

- A borrower completes a simple application for a loan and typically is required to provide supporting documentation, including proof of regular income, a personal checking account and identification.
- If approved, a borrower reads and signs an agreement containing disclosures, including those required by the Truth in Lending Act, and writes a post-dated personal check, usually coinciding with the borrower' next payday, for the amount of the advance plus a fee.
- The lender immediately advances the borrower funds, but holds the check until the agreed upon date.
- For example, a customer seeking to obtain a $300 payday advance will write a check for $345 that will be deposited by the PDA provider on a future agreed upon date. That check amount represents the $300 principal plus the $45 in fees associated with the PDA.
- The customer receives $300 as an advance on the post-dated check.

Who uses payday advances?

- Working consumers who timely repay them when due more than 90% of the time, according to numerous state regulatory reports.
- They are typically between the ages of 25-44 years old.
- They have an average household income of more than $40,000 a year.
- The majority of are high school graduates with some college education or a degree.
- All have a steady source of income and maintain active checking accounts.

Why do people take out payday advances?

- For many consumers, PDAs help bridge the unexpected need for short-term credit when other options are not available to them.
- Very often a PDA is less costly to the consumer than the other available options, such as incurring late fees, bouncing a check, utilizing overdraft protection or obtaining a credit card advance.
- Recent studies have proven that consumers who use PDAs as a tool to help meet their monetary obligations fare better financially than consumers who do not have PDAs as an option.*

Payday advances are typically cheaper than other short-term credit options

Credit Option	$100 Payday Advance (2 wk loan)	$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	$29.00[1]	$34.42[2]	$46.16[3]	$54.87[4]
APR	391%	756%	897.71%	1,203%	1,431%

---

*see Fact Sheet on Federal Reserve of NY studies enclosed in this package

[1] Bankrate.com, 2007 Courtesy Overdraft Study – based on average first overdraft charge

[2] "Credit Cards: Increased Complexity in Rates and Fees," General Accountability Office, 2006.

[3] 2006 CFSA Fee Survey.

[4] Average NSF fee $28.23 (Bankrate.com, 2007 Checking Study), based on average first NSF charge. Average merchant return check fee $26.64 (2006 CFSA Fee survey.