



MUSTEL GROUP
MARKET RESEARCH

Canadian Payday Loan Association

Qualitative Research

October 2008



Presented to:

Canadian Payday Loan Association

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Executive Overview

Summary

The following reflects the key findings of two focus groups conducted in the City of Vancouver on October 6th, 2008 amongst individuals who have used payday loans.

All of these respondents have bank accounts and some of them have credit cards. But none of them have access or believe they have access to emergency funds through their banks. For some, their past credit inhibits what they can access through their banks or credit cards. For others, it is simply that they do not understand the banking system and feel uncomfortable asking their banks for help. A further comment was that if they used a credit card as a line of credit, they would get into that cycle and never get out of it. At least with payday loans, the borrower is forced to pay it back fairly quickly and thus can borrow again.

What everyone agreed on regarding banks is that they do not act immediately — there is always a wait between a request for a loan and its approval. They also believe that banks do not loan small amounts of money; the amounts that these respondents are borrowing are seen as “too small” for banks to handle.

All of these individuals expressed a sense of personal pride about being able to take care of themselves, even if it means using payday loans with high interest rates to do so. These payday loan users all feel good about their part in the payday loan equation. They like that they pay those loans off and have the ability to access funds again when they need to. It makes them feel that they are acting responsibly in taking care of their lives.

The type of emergencies they encounter varies from one individual to the next. Payday loans have been used for a dental emergency, a sick cat’s trip to the vet, a car problem, or simply to eat or pay other bills between paycheques. Whatever the reason, they are all grateful that such loans exist.

When dealing with the payday loan companies, the majority of these respondents feel that they are treated respectfully, though everyone believes that the fees charged for their loans are high. They all see themselves as the average customer of a payday loan company, referring to themselves as “working people” or for a few “the working poor.” They do not see the consumers of these loans as poverty stricken. Nor do they see them as uneducated. They believe that they know what they are signing, understand the agreements they are making and understand their responsibilities when taking those loans.

The idea of regulating payday loans by limiting their amount was seen as unnecessary because the industry itself regulates that already. And if regulating means lowering the percentage of their paycheque that a person can access as a loan, then the loans would likely become so small that they would be meaningless to most.

If regulating means limiting the number of loans a person can access over a year, then most would feel that they are being robbed of something that makes their lives a little easier. It was also indicated that regulating in that way suggests a lack of respect for those individuals who need those loans. They are attempting to live their lives independently and with pride, both of which will be compromised if they don't have access to those loans when needed.

What everyone agreed on was that if there was an attempt to regulate anything it should be the amounts that these companies can charge for such a loan. It is the payday loan companies who should have limits imposed on them, not the consumer.

It was clear throughout these groups that regulating the number of loans that they might have access to, or the amounts or percentage of their paycheque that they can borrow against, is seen as an infringement on their rights and would affect their lives in a less than positive way.

Foreword

Background and Objectives

At the request of Canadian Payday Loan Association., Mustel Group conducted a qualitative research project..

The primary objective of this research was to gain a sense from payday loan users of their perceptions about payday loans.

Specific objectives were as follows:

- ▶ To gain an understanding of their usage of payday loans
- ▶ To understand the importance of payday loans in their lives
- ▶ To determine their understanding of the cost of those loans and of their responsibilities regarding those loans
- ▶ To gain feedback on the notion of regulating payday loans

Methodology and Respondent Selection

A series of two focus groups was conducted in the City of Vancouver in October 2008. The groups were held in a facility with viewing capabilities and were moderated by Ms. Kathleen Roach of Mustel Group.

Each group consisted of seven or eight respondents and ran for approximately one hour in duration. Both groups were videotaped.

Respondents were selected based on the following:

- ▶ All are users of payday loans
- ▶ Mix of male and female
- ▶ Mix of incomes:
 - three respondents earn < \$25,000
 - six respondents earn \$25,000–40,000
 - five respondents earn \$40,000–50,000
 - one respondent earns \$50,000–60,000
- ▶ Completed high school or higher

Detailed Findings

1. Banking and Financial History

When discussing their banking and financial history these respondents all indicated that they have bank accounts and the majority of them have credit cards.

In most cases the credit cards are “maxed out,” allowing the cardholder no access to additional funds from those cards.

Most also talked about difficulties with credit cards. For some it is a matter of using those cards until there is no room left on them and then only paying the minimum payment due so that they never actually pay down the card. Others suggested that they “had a problem in the past” which has given them a bad credit history and thus they cannot get approved for a credit card.

Respondents were asked whether they feel it is important to pay their bills on time. Everyone agreed that it is. Payday loans were raised in this regard, with many indicating that what they like about payday loans is that “they take it out of your paycheque.”

2. Use of Payday Loans

Everyone said that payday loans were a source of emergency loans for them. When asked about the types of emergencies they encounter, a variety were mentioned — everything from having a dental emergency to car problems to covering living expenses from time to time.

The frequency with which these individuals use payday loans varies from person to person. Some use them once every couple of months, and “if I am working a lot I don’t need them.” Others use them more frequently.

3. Loan Options

The idea of going to family for a loan was seen as demeaning, with almost everyone wanting to take care of themselves. These individuals all expressed some pride in the fact that, with payday loans, they don’t have to rely on others but feel that they are self-sufficient and capable of dealing with life in a responsible way. A few respondents indicated that they would pawn something if in need rather than going to family members for help.

When asked if those with credit cards have ever gone to their banks and asked for an increase in the credit limit on their card, most indicated that they have not. Some of these respondents feel that they are being judged by banks so don't want to go there. Others suggested that the banks do not give loans for the small amounts that they tend to need. And banks take too long to approve loans, so there is a sense that a bank is the wrong place to go for a last-minute emergency loan.

It was suggested by one respondent that "my bank would just tell me to go down the street to MoneyMart."

Some of these individuals know very little about the banking system and feel uncomfortable trying to manoeuvre through it. One respondent indicated that he has overdraft protection but it did not occur to him that he might use that overdraft as a loan.

4. Perceptions of Payday Loans

Everyone appreciates the fact that payday loans exist. They are considered to be good for emergencies because they are available easily and quickly and regardless of an individual's credit rating. For some respondents, "it helps me keep my independence."

The majority of these respondents feel that they are well treated by their payday loan provider. MoneyMart was mentioned, with one respondent commenting "I am an A-list customer and they treat me well." Others suggested that they "are great 'cause you're paying for it." Most respondents painted a picture of an experience in which they feel that they are respected, in a place that provides them with something they need.

Despite the fact that these respondents feel that they are treated respectfully, however, they are also aware that they are paying a significant amount for these loans. Some suggested paying as much as 38%, while one individual indicated that she had paid 59% — just under what, according to her, is the legal limit of 60%. That individual added, "I just go to MoneyMart now. I trust them more than the little guys."

And they are all aware that the percentage they are paying on these short term loans is not interest but is identified as fees — "fees for this and fees for that."

In the discussion of the costs associated with these loans, some respondents think that all payday loans charge the same amount while others believe that they differ.

There is the perception amongst these respondents that they will pay less in fees if they pay the loan off early. And they also are aware that they have to pay fees and renegotiate the loan if they cannot pay it off within the expected period of time.

5. Average Payday Loan Consumer

When asked to describe the average payday loan consumer, the groups all agreed that the majority of users are people like themselves — working people or, according to some, the working poor. But they do not see the average consumer of these loans as poverty stricken. And they do not believe that payday loan users are uneducated.

Some mentioned the cheque cashing places where people who don't have bank accounts can go and pay a significant fee to cash their cheques. Those businesses, not the payday loan companies, are thought to be taking advantage of the poverty stricken.

Respondents were asked whether payday loan users know what they are signing. With the exception of a couple of respondents, most agreed that they are clear on this. "I believe the small print is there for me to read," said one respondent. There was agreement that there may be a small percentage of payday loan users who do not know what they are signing, but most see that percentage as insignificant.

6. Regulations

The notion of regulating the amount of payday loans was presented to the groups. Most indicated that the industry already regulates that. A person seeking a loan will only be given up to 50% of their paycheque, according to some. For someone who makes, say, \$500 a week, limiting the loan amount to a smaller percentage of that salary would mean that they could only borrow such a small amount as to have little impact on their financial need. "Would I fix only one wheel on my car?" was one response.

The idea of regulating the number of payday loans a person can access caused strong reactions from most respondents. They want to know that they have access to these loans when they need them.

"It is none of the government's business," according to some. For others "payday loans give me privacy," suggesting that if a person has access to payday loans they do not need to go to family or friends for a loan. Government regulating the number of loans may result in individuals having to go to those other sources for help, something most would not appreciate.

But the basic problem identified by these individuals is that by regulating the number of transactions per year, an individual who has already used their allotted number of loans will not have access to the loan they need to handle another emergency if it arises.

While none of these respondents imagines turning to crime as a result of such regulations, both groups did mention the possibility that for some who are in need and have no other options for taking care of their emergency money needs, crime might be an option that would be exercised.

Moreover, the idea of regulating the frequency or number of loans that a person can access disempowers individuals who are in a lower economic level, according to some, and that feels like a lack of respect for the needs of those individuals.

Many respondents in both groups suggested that if any regulations are being considered, they should be regulating the amount of money the payday loan companies can charge. The problem is the cost of these loans, not the user.

Overall, these groups both insisted that any regulating of the industry should be on the companies rather than on the users. The problem is not the user, according to them, it is the fees and interest that the companies are charging.

Appendices

Moderator Guide

Screeners

MODERATOR GUIDE – PAYDAY LOAN RESEARCH

INTRODUCTIONS

Respondents will be asked to introduce themselves and indicate first name and a brief profile which includes family status, work status and a couple of personality descriptors.

Moderator will explain the process, viewing, video, etc.

BANKING/FINANCIAL HISTORY

The discussion will move on to their banking and financial history.

- Do you currently have a bank account?
- Do you have a credit card?
- There are many options available to borrow money for short term needs. What types of loans have you taken in the past?

EMERGENCIES

This discussion will explore their need for emergency funds. The groups will be reminded that everyone runs into financial emergencies from time to time and they will be asked:

- What types of emergencies have you run into in the past that have caused you to take out a payday loan? I.e. bills, car repairs etc..
- If you needed \$300 a few days before your next payday, what would you do?
- What other options are available to you? I.e. credit cards, family, etc..

PAYDAY LOANS

The groups will be asked to discuss payday loans:

- Do you usually pay back your loans on time?
- Why is it important to you to pay loans back on time?
- Why did you go to a payday loan company instead of a bank or credit union?
- How satisfied are you with the level of service you receive when you get a payday loan?
- Some people would say that people who use payday loans are generally poor, uneducated and don't know what they doing, or what they're signing. Do you think that this is true?
- Do you feel that you understand the terms of a payday loan and your responsibilities when borrowing on a payday loan? Explain.

The groups will be told that there are regulations being discussed that might limit access to payday loans and we would like their reaction to some of the ideas that are being discussed:

GET A SPREAD OF AGES

Q6. Which of the following best represents your education level?

- | | | |
|--------------------------|-----------------------------|---------------------|
| <input type="checkbox"/> | Some high school (or less) | THANK AND TERMINATE |
| <input type="checkbox"/> | Completed high school | CONTINUE |
| <input type="checkbox"/> | Some college/university | CONTINUE |
| <input type="checkbox"/> | College/university graduate | CONTINUE |

GET A SPREAD

Q7. In a group discussion, how would you describe how comfortable you are with voicing your opinions in front of others? Are you...

- | | | |
|--------------------------|----------------------|---------------------|
| <input type="checkbox"/> | Very comfortable | MINIMUM 3 PER GROUP |
| <input type="checkbox"/> | Fairly comfortable | |
| <input type="checkbox"/> | Comfortable | |
| <input type="checkbox"/> | Not very comfortable | THANK & TERMINATE |

Thank you for your time and cooperation. We would like to invite you to attend a discussion group which we are holding on (date), 2008, at. It will be conducted by a professional moderator and last approximately 1 and a half hours. There will be light snack available and you will be given \$__ as a token of our thanks for your time and to defer traveling expenses. Would you be able to attend?

Recruit 8 per group for 10 to show

All respondents must;

- Used Pay-Day Loans
- Be a mix of male/female
- Be a mix of incomes

GROUPTIME DATE

- | | | |
|---|------|--------|
| 1 | 5:30 | Oct. 6 |
| 2 | 7:00 | Oct. 6 |

LOCATION: Consumer Research Center – 1398 West 7th Ave., Vancouver

Could I have your name, address, and telephone numbers to confirm your attendance.

Respondent Name

Address

Day #

Eve #



One possibility is that the government would limit the number of payday loans that you can get.

- Do you agree with this?

There is also a suggestion that there should be limits on the amount that you can borrow with a payday loan.

- Do you agree with this?
- How important is it for you to continue to have payday loans as an option for borrowing money?

CLOSE

The groups will be asked to sum up their feelings about payday loans, indicating how important it is for them to have that option and why.

They will be thanked and sent home.

Screener

Good afternoon/evening, I'm from Mustel Group, a professional market research firm. We are conducting a series of focus groups with people next week.

May I have a few minutes of your time?

CALLBACK INFORMATION

Callback Date/Time

Respondent Name

PHONE#

INTERVIEWER: RECORD GENDER, DO NOT ASK

- Female
- Male

GET A MIX OF MALE/FEMALE FOR EACH GROUP.

Q1. Do you, or does anyone in your household, work in any of the following industries?

- Advertising
- Market Research
- Loan Services

THANK AND TERMINATE IF ANY APPLY

Q2a. Have you ever attended a focus group, consumer group discussion, an interview or survey for which you received a sum of money?

- Yes CONTINUE
- No SKIP TO Q#3

Q2b. When was the last group you attended? DO NOT READ.

- Less than 6 months ago THANK & TERMINATE
- 6 months or more ago CONTINUE

Q2c. What was the topic you discussed?

THANK & TERMINATE IF TOPIC WAS RELATED TO PAY DAY LOAN SERVICES.

Q3a. Have you ever used Pay-Day loans?

- Yes CONTINUE
- No THANK & TERMINATE

Q3b. When was the last time you used Pay Day loans?

- Within last week
- Within last month
- Within last 6 months

CONTINUE FOR ALL.

Q3c. How often would you say you use this service?

- Rarely
- Occasionally
- Often
- Regularly

CONTINUE FOR ALL.

Q4. Which of the following categories best describes the total annual income, before taxes, of all members of your household? [READ LIST]

- Under \$25,000
- \$25,000 to under \$40,000
- \$40,000 to under \$50,000
- \$50,000 to under \$60,000
- \$60,000 to under \$80,000
- \$80,000 or over
- REFUSED

CONTINUE FOR ALL, GET A MIX.

Q5 Into which of the following age groups do you fall?

- Under 20 THANK AND TERMINATE
- 20-35 CONTINUE
- 36-50 CONTINUE
- 51-65 CONTINUE
- 65+ THANK AND TERMINATE