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FOUNDATION SURVEY SHOWS FEWER THAN 13 PERCENT OF MILITARY ENLISTED PERSONNEL HAVE TAKEN OUT A PAYDAY LOAN IN THE LAST YEAR

WASHINGTON – June 28, 2006 — Consumer Credit Research Foundation released a study today showing that fewer than 13% of military enlisted personnel have taken out a payday loan in the last year. The survey showed that enlisted personnel use short-term credit products, such as payday loans, infrequently to smooth out short-term cash needs and are likely to repay them far more quickly than their civilian counterparts.

The study, authored by Charles B. Cushman, Jr., Ph.D., a former Army officer and Associate Dean of the Graduate School of Political Management at George Washington University, and William O. Brown, Jr., Ph.D., Professor of Finance at University of North Carolina – Greensboro, is the first systematic survey of enlisted military personnel that addresses their economic circumstances and attitudes toward short-term credit.

The findings are significant:

- *“Only a small fraction — 13% — of military enlisted personnel who live in or around military bases have had a payday loan in the last year. Given the relatively low overall default rate for such loans in general, the claims of some opponents of payday lending that payday loans are a threat to military readiness appear unsupported”.*
- *“Military enlisted personnel who have had payday loans repay them more quickly and are more likely to remain out of debt than their civilian counterparts: 49% of military enlisted payday-loan borrowers reported they have used a payday loan no more than twice in the last year (compared to 16% of the general population of payday borrowers); 79% said they had no more than four loans in the last year (compared to 65% of the general population). “*
- *“Military enlisted payday-loan borrowers choose to incur payday-loan credit because of the simplicity and speed of the application process, and in 87% of cases the geographic convenience of lender was not a primary factor in their choice of credit. This finding suggests that putative “targeting” of military borrowers by payday lenders may play little role in the borrowers’ actual behavior.”*

- *“Military enlisted personnel overwhelmingly (83%, vs. 44% of the general population) consider themselves to be financially secure; even among military payday-loan borrowers, 69% consider their personal finances to be secure. As the authors have previously reported, military incomes are predictable and dependable to an extent not experienced in the civilian workplace.”*
- *“Like their civilian counterparts, military borrowers use payday loans to help with personal emergencies, auto repairs, relocation and other temporary cash-flow issues.”*
- *“Military enlisted payday-loan borrowers are, on average, somewhat younger than their non-borrowing military counterparts (age 28 vs. 32). This finding is consistent the authors’ prior study suggesting that youth is a factor in reduced precautionary savings and the need for short-term credit to smooth irregular cash outflows.”*

“It is significant to learn that few enlisted members of the military have taken out a payday loan in the last year; but, in addition, this survey also reveals that our servicemembers encounter legitimate needs for occasional temporary credit and they can repay these short-term loans from their stable incomes,” stated Prof. Brown.

Prof. Cushman added, “This research demonstrates that the military has a couple of key opportunities to offer servicemembers targeted financial education — when they are young and/or about to move off-base. These are the times members of the military are most likely to experience cash-flow imbalances and use various forms of short-term credit.”

At the direction of the authors, an independent survey research firm conducted telephone interviews of 805 U.S. enlisted military personnel in four branches of the armed services to ascertain their attitudes toward, and usage of, short-term credit, including payday loans. This survey supplements the previous study, *Compensation and Short-Term Credit Needs of U.S. Military Enlisted Personnel* (April 2006), by the same authors.

ABOUT CONSUMER CREDIT RESEARCH FOUNDATION

Consumer Credit Research Foundation is dedicated to growing and building a reliable set of research and data on the availability of consumer credit, the industry that provides credit services, the consumers that use them and the local, state and federal officials who oversee these services.

“Payday Loan Attitudes and Usage among Enlisted Military Personnel” is available on the Foundation’s web site (www.consumercreditresearchfoundation.org).

Professors Brown and Cushman are available to be interviewed in connection with this study.

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