



Faulty Research Methods Discredit Center for Responsible Lending's "Race Matters" Report

A new CCRF critique by Thomas E. Lehman, PhD, of "*Race Matters: The Concentration of Payday Lenders in African-American Neighborhoods in North Carolina*" debunks and repudiates the Center for Responsible Lending's (CRL's) erroneous assertion the short-term consumer credit industry targets or preys upon African-Americans.

Academic economist and longstanding commentator on payday lending Dr. Thomas E. Lehman assessed the research methods employed by CRL and has found that the conclusions of the "Race Matters" study are unfounded. The shortcomings of the study include: flawed data collection processes, the omission of independent variables and an overall editorial tone that reflects a clear bias against the payday lending industry.

Key Findings Include:

- CRL's study is unreliable. It does not appear the data was collected in a randomized way, resulting in a severely skewed point of view, most likely to reflect the ideology of its authors. Social scientists everywhere understand that a random sample is required of any study if the results are to have credibility.
- The overall tone of CRL's study degrades, impugns and ultimately overwhelms any pretext of objectivity in "Race Matters." Perhaps CRL is motivated by an ideological bias against the payday lending industry, which may explain why [CRL's authors] have overstated their case.
- Retailers like Radio Shack, Payless Shoes, Dollar General, Subway, 7-11 and payday lenders are much more likely to locate stores based on a multitude of variables including but not limited to: property taxes, employee base, education, related retailers, traffic flow, and population income and density. Amazingly, the CRL study could not muster the academic rigor to consider a single one of these key variables. Although business schools, corporations and small businesses pour over variables like those described above, the CRL seems blissfully ignorant of these common sense measures. Instead, they have deluded themselves into believing that "Race Matters" to payday lenders. CCRF's critique finds CRL's claims to be weak, unsubstantiated and fundamentally flawed.
- There is no way to know for certain whether payday stores have a proportionally high or low percentage of African-American customers, because CRL did not have access to the actual customer information for the stores used in its analysis. Thus, CRL misleads the public and the media without the backup.
- Michael T. Maloney, Ph.D., of Clemson University, prefaced the critique by noting that CRL declined his 2005 request for their supporting data which makes Dr. Lehman's critique all the more important. Both gentlemen are economists.