

Payday Loan Attitudes and Usage Among Enlisted Military Personnel

William O. Brown, Jr., Ph.D.
The University of North Carolina at Greensboro

Charles B. Cushman, Jr., Ph.D.
The George Washington University

July 12, 2006

This study was supported by the non-profit Consumer Credit Research Foundation, which is working to foster economic research into the issues surrounding the availability, choice and cost of consumer credit for middle-class Americans.

Abstract

A survey was conducted 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 authors and is the first systematic survey of enlisted military personnel regarding 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 28.3 vs. 32.4). 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.”*

This survey confirms the authors’ view, as articulated in their prior study, that the youngest enlisted personnel are most likely to pursue a payday loan, or to demonstrate other characteristics of irregular cash requirements, such as NSF checks and bill deferral; it is likely that this cohort will most directly benefit from targeted financial education initiatives during the early years of their careers. The survey also confirms that many members of this group are unable to access mainstream unsecured credit products and may benefit from favorable credit bureau reports of their payday-loan repayment histories. Finally, it appears that military personnel who move off-base encounter financial difficulties at a rate that is somewhat higher than that of those who remain on-base; this, too, may be an area where additional financial counseling may be beneficial to some soldiers not fully

aware of the costs associated with off-base residence. Further study of the causes of such difficulties may be warranted.

Payday Loan Attitudes and Usage Among Enlisted Military Personnel

As the authors noted in their prior study, *Compensation and Short-Term Credit Needs of U.S. Military Enlisted Personnel* (April 2006), Congress has made the competitiveness of compensation and benefits for enlisted personnel a priority in order to ensure adequate staffing of an all-volunteer military. Military enlisted personnel now earn salaries commensurate with the base pay of their civilian peers; when supplemental and implicit compensation is included, military compensation frequently exceeds civilian compensation. Because junior enlisted servicemembers are young and frequently involved in household formation, they have generally accumulated little in the way of precautionary savings and face cash-flow irregularities that may occasionally require the use of various types of credit. Few broad studies of this topic exist. In light of the conclusions of the prior research, this study was initiated with the purpose of exploring in more detail the attitudes of enlisted personnel toward short-term credit and the credit usage patterns of such personnel.

Information concerning the awareness, attitudes and usage of military enlisted personnel regarding short-term credit products has been limited primarily to anecdotal data. The Defense Department and others have conducted some service-specific surveys to assess the financial circumstances of members of the military.¹ However, to date there has been no systematic examination of short-term credit needs of military personnel or of specific practices like the use of payday loans and bank overdraft facilities. The purpose of this survey is to provide empirical insights into such matters.

Methodology

This survey was designed as a brief telephone survey of a random sample of enlisted military personnel in the United States. Initial efforts to obtain a statistically usable sample of military payday-loan borrowers proved to be extremely difficult, when only 59, or 13%, of the first 460 enlisted military respondents were found to have been payday-loan borrowers during the preceding year.²

¹See, e.g.: Congressional Research Service (2005). *Military Pay and Benefits: Key Questions and Answers*. Retrieved April 5, 2006 from <http://www.fas.org/sgp/crs/natsec/IB10089.pdf>; Defense Manpower Data Center (1999). *Survey of Active Duty Military Personnel*. Retrieved June 26, 2006 from <http://www.gao.gov/archive/2000/ns00110t.pdf>; General Accounting Office (2004). *Military Personnel: Bankruptcy Filings among Active Duty Service Members*. Retrieved June 26, 2006 from <http://www.gao.gov/new.items/d04465r.pdf>.

²In the absence of a publicly available list of all enlisted military with working phone numbers, the best way to select a nationally representative sample of this population is to randomly draw a sample of households, screen for enlisted members of the military and then, further screen or filter for those that have taken a payday loan in the last twelve months. This idealized approach however, is impractical and cost-prohibitive given the incidence of enlisted military in the population as a whole (0.5% of total U.S. population in 2006) and the presumed low incidence of those within the military that have chosen to obtain a payday loan in the last twelve months. These realities require alternative approaches to reaching the target population that strike a balance among the rigors of a probability-based sample, practicality and resource constraints. The two target audiences within the enlisted military population — those that have and have not used a payday loan in the last twelve months — present different sets of challenges.

Accordingly, in this study, sampling of the enlisted military was based on a combination of national probability sample of all exchanges and area codes in every military installation across the United States as well as a compiled list of self-reported military personnel drawn from earlier surveys. This dual approach ensured a geographical distribution closely representing the U.S.-stationed military personnel.

A total of 59 military enlisted personnel, or 13% of the general military sample, had payday-loan experience within the last twelve months.³ To augment this cohort, a list of recent payday-loan borrowers was provided by members of the Community Financial Services Association (“CFSA”), a trade association representing the lending industry. Limited military payday customer data were provided by payday lenders, in compliance with applicable privacy laws governing the use of customer information. Participating companies provided appropriate contact information with respect to borrowers who described themselves as active members of the military and who subsequently and voluntarily confirmed to interviewers that they had used a payday loan in the previous twelve months. Names were compiled and called on a random basis by the survey company used for this project.

A total of 404 interviews were completed among non-payday loan borrowers and 401 among borrowers. The margin of error for both samples is $\pm 5\%$ at the 95% confidence level (statistically significant differences are indicated by an asterisk in the tables that follow). All interviews were conducted from May 16-28, 2006 by professional interviewers using a computer-assisted telephone interviewing system. For the non-payday loan borrowers, the final survey results were weighted to match an average — across all branches and ranks — of the off-base and on-base distribution of the military population based on the most recent available data from the Department of Defense.⁴

Key Findings

Demographic Profile

The two distinct samples, military personnel who have and have not used a payday loan in the past twelve months, for purposes of this report, are referred to as “borrowers” and “non-borrowers,” respectively. All respondents in this study are enlisted personnel on active duty in the military (by design, officers were excluded from both samples).

Four branches of the military are represented in the samples for this study. The Army has the highest representation, followed by the Air Force, the Navy and the Marines. Coast Guard members do not appear in this study for reasons largely of inaccessibility. Ranks across the sample are similar, with fewer respondents in lower military ranks (*e.g.* private or airman) and most being corporals or of higher rank. While the sample does not perfectly reflect the distribution of the military population by service branch, responses across service branches do not differ significantly.

³This initial finding suggests that claims that payday loans may be a threat to military readiness are likely to be overstated. On the assumption that military net loss rates mirror overall experience of 5% or less, the percentage of military enlisted personnel with a payday loan in write-off status would be less than 0.6%.

⁴Department of Defense (2001). *1999 Survey of Active Duty Military Personnel*. Reviewed June 26, 2006 at <http://www.dmdc.osd.mil/surveys/actdpers99/pdfs/00-008.pdf>.

BRANCH/RANK	NON-BORROWER	BORROWER
Army	50%	63%
Navy	18%	15%
Air Force	27%	16%
<u>Marines</u>	<u>5%</u>	<u>6%</u>
Total	100%	100%

BRANCH/RANK	NON-BORROWER	BORROWER
ARMY		
Staff sergeant	* 31%	16%
Sergeant	34%	39%
Corporal	20%	* 34%
Specialist	13%	10%
Private first class	2%	2%
Private	0%	2%
NAVY		
Petty officer 1st class	* 40%	23%
Petty officer 2nd class	29%	34%
Petty officer 3rd class	19%	* 29%
Seaman	8%	10%
Seaman apprentice	2%	2%
Seaman recruit	1%	1%
AIR FORCE		
Technical sergeant	* 35%	16%
Staff sergeant	33%	38%
Senior airman	20%	* 33%
Airman first class	12%	10%
Airman	2%	2%
Airman basic	0%	2%
MARINES		
Staff sergeant	33%	27%
Sergeant	17%	* 40%
Corporal	17%	13%
Lance corporal	17%	13%
Private	17%	7%

Borrowers and non-borrowers differ demographically. For example, borrowers tend to be younger (but closer to the enlisted military’s average age of 24), have lower income, and have completed somewhat less formal education compared to their non-loan counterparts. Borrowers are also

more likely to be unmarried and to have chosen to live off-base rather than in on-base, military housing.

	NON- BOR- ROWER	BOR- ROWER
AGE		
18-24	21%	* 33%
35-34	39%	* 50%
35-44	* 30%	14%
45+	* 8%	2%
Refused	2%	1%
Mean	32.4	28.3

	NON- BOR- ROWER	BOR- ROWER
INCOME		
Less than \$15,000		3% 1%
\$15,000 but less than \$20,000	6%	* 10%
\$20,000 but less than \$30,000	20%	* 27%
\$30,000 but less than \$40,000	23%	29%
\$40,000 but less than \$50,000	14%	19%
\$50,000 but less than \$75,000	* 19%	10%
\$75,000 but less than \$100,000	* 7%	2%
\$100,000 or over	* 4%	1%
Refused	* 5%	1%

	NON- BOR- ROWER	BOR- ROWER
EDUCATION		
Some high school	2%	3%
High school grad	44%	48%
Technical/vocational	2%	3%
Some college	29%	* 37%
College grad	15%	6%
Graduate degree	* 8%	2%
Refused	0%	1%

Personal Financial Situation

Among borrowers, 69% describe their personal financial situation as very secure (14%) or fairly secure (55%). Close to one-third (30%) report that their finances are very shaky (10%) or fairly shaky (20%). This proportion is significantly higher than among non-borrowers; among that group, only 17% consider their finances to be fairly (11%) or very shaky (6%).

“Would you describe the state of your own personal finances these days as very secure, fairly secure, fairly shaky or very shaky?”

	NON- BOR- ROWER	BOR- ROWER	National Sample ⁵ n=759
NET SECURE	* 83%	69%	44%
Very secure	* 29%	14%	20%
Fairly secure	54%	55%	24%
NET SHAKY	16%	* 29%	56%
Fairly shaky	10%	* 20%	24%
Very shaky	6%	9%	32%
Don't know	1%	1%	0%

However, military borrowers’ assessments of their personal finances are more optimistic than those of a demographically similar sample of the U.S. population. According to the *General Social Survey* conducted by the University of Michigan in 2002, only 44% of respondents considered their finances to be very secure (20%) or fairly secure (24%); the majority (56%) stated that their finances were either fairly shaky (24%) or very shaky (32%).

Most payday advance borrowers report their financial situation has improved or stayed the same over the last few years. A majority say they are better off (46%) or about the same (38%) financially as they were a few years ago. Only 16% of payday advance borrowers report that their finances are getting worse. This number, while low overall, is higher than among non-borrowers (9%).

“During the last few years, has your financial situation been getting better, worse, or has it stayed the same?”

	NON- BOR- ROWER	BOR- ROWER
Getting better	49%	46%
Getting worse	9%	* 16%
Stayed the same	42%	38%
Don't know	<1%	<1%

⁵*General Social Survey*, 2002. Respondents between 18 and 34 years of age, making less than \$40,000 in annual income, with a high school education.

Within both the payday advance and the non-borrower sample, close to 8 in 10 participants (78%) have been moved or redeployed during the course of their service. This fact of military life reportedly has had no impact on most respondents' financial situation (54% and 50% no effect for military and payday respectively). Of those who report their move impacted them financially, the effect is equally positive and negative.

“Would you say your redeployment or move worsened, improved or had no effect on your financial situation? If ‘worsened or improved,’ would you say it (worsened/improved) your financial situation somewhat or a great deal?”

	NON- BOR- ROWER	BOR- ROWER
	<i>n</i> =307	<i>n</i> =321
NET WORSENERD	25%	28%
Worsened a great deal	10%	9%
Worsened somewhat	15%	19%
NET IMPROVED	21%	22%
Improved somewhat	15%	16%
Improved a great deal	6%	6%
No effect	54%	50%

Most borrowers and non-borrowers have a car loan (77% and 73% respectively), and similar proportions of each group have a home equity line of credit (16% non-borrowers, 12% borrowers). Credit card access however, is where the two groups are appreciably different. Significantly fewer payday loan borrowers have either a secured or unsecured bank credit card than among non-borrowers. While credit cards are held by nine in ten people in the non-borrower group (91% report some type of bank credit card), just over 70% of the payday loan borrowers report having one (71% have a credit card).

“Do you have any of the following?” (Select all that apply)

	NON- BOR- ROWER	BOR- ROWER	National ⁶
Home mortgage	* 31%	13%	55%
Home equity loan/line of credit	16%	11%	26%
Car loan	73%	77%	74%
NET CREDIT CARD	91%	71%	92%
Secured bank credit card	37%	31%	42%
Unsecured bank credit card	* 54%	40%	50%

The profile of the payday loan borrower in the military differs from that of the non-borrower in their reported ability to pay their bills on a monthly basis. While close to 9 in 10 non-borrowers

⁶ UBS/Gallup Survey, July 2004.

say they never or seldom have a problem playing their bills on time, the ratio drops to 6 in 10 among payday loan borrowers.

“Sometimes, people are just unable to pay all of their regular, monthly bills on time. Thinking about the last six months, how often would you say you had to pay a regular monthly bill late?”

	NON- BOR- ROWER	BOR- ROWER
Frequently	3%	* 14%
Occasionally	7%	25%
Seldom	24%	* 41%
Never	* 65%	21%

This same pattern is true for credit card debt repayment. One-third (33%) of payday borrowers with a credit card report they hardly ever pay the balance in full. This is significantly higher than non-payday borrowers — only 24% report they hardly ever pay their full balance monthly. Most of this group (49%) always pay their monthly balance in full (compared to only 34% of payday loan borrowers).

“In the past 12 months, how often did you pay off your monthly credit card balance in full?”

	NON- BORROWER <i>n</i> =293	BOR- ROWER <i>n</i> =241
Almost always	* 49%	34%
Sometimes	24%	28%
Hardly ever	24%	33%
Don't know (DNR)	3%	5%

Also, payday loan borrowers are more than twice as likely to have bounced a check as non-borrowers (78% versus 35% respectively).

“Sometimes people overdraw a checking account or bounce a check when they are short on cash. Have you ever bounced a check or overdrawn an account when you were short on cash?”

	NON- BORROWER	BOR- ROWER
Yes	35%	* 78%
No	* 64%	22%

Financial Attitudes and Behaviors

Military personnel who have used payday loans and those who have not hold some similar views toward the overall value of credit; both groups agree that most people benefit from the use of credit. Both also would like to see the government limit the interest rates that lenders can charge even if it means fewer people will be able to get credit. However, non-borrowers are more likely to agree there is too much credit available than their counterparts who have used payday loans. This attitudinal difference is consistent with payday borrowers reporting less access to (secured and unsecured) bank credit cards.

“Please tell me whether you strongly agree, agree somewhat, disagree somewhat, or strongly disagree with each of the following statements.”

“Most people benefit from the use of credit.”

	NON-BORROWER	BORROWER
NET AGREE	72%	78%
Strongly agree	30%	32%
Agree somewhat	42%	46%
NET DISAGREE	29%	23%
Disagree somewhat	17%	14%
Strongly disagree	12%	9%

“The government should limit the interest rates that lenders can charge even if it means fewer people will be able to get credit.”

	NON-BORROWER	BORROWER
NET AGREE	75%	74%
Strongly agree	42%	40%
Agree somewhat	33%	34%
NET DISAGREE	25%	26%
Disagree somewhat	20%	18%
Strongly disagree	5%	8%

“There is too much credit available today.”

	NON-BORROWER	BORROWER
NET AGREE	75%	63%
Strongly agree	51%	37%
Agree somewhat	24%	26%
NET DISAGREE	25%	37%
Disagree somewhat	18%	21%
Strongly disagree	7%	16%

Another key difference between the groups is how they view different types of loans. Military personnel who have used payday loans are much more likely to make a distinction based on duration of the loan; 58% view short-term and long-term loans differently, while a slight majority of non-borrowers view all types of loans the same.

“Which of the following best describes your view of money that is loaned to you by a financial institution?”

	NON-BORROWER	BORROWER
I view long term loans differently than short-term	47%	42%
I view all loans the same	53%	58%

Short-Term Loan Needs and Behaviors

Most military respondents (both borrowers and non-borrowers) state that they have enough different choices to meet their short-term borrowing needs (63% and 85% respectively). However, more than twice as many borrowers believe they do not have enough choices (37% compared to 15% of non-borrowers).

“Do you think you have or don’t have enough different choices for meeting your short term borrowing needs?”

	NON-BORROWER	BORROWER
I have enough choices	85%	62%
I don’t have enough choices	15%	38%

One quarter of enlisted military personnel (from the non-borrower sample) needed some form of short-term credit in the past twelve months. Most met this need by borrowing from a bank (43%), credit union (17%) or other finance company (10%). This source of borrowing was the first

choice for the vast majority of non-borrowers (87%). For the remaining 13%, half did not use their first borrowing choice because they were declined (46%).

Use of Payday Loans

Payday loans have very high awareness among the non-borrower group (89%), with half reporting they first heard about payday loans through advertising (59%). Another 27% say they first learned about payday loans from the military (19%) or from a friend or family member (8%).

“Where did you first hear about payday loans?”

	NON-BORROWER n=400	BORROWER n=362
Advertising by companies	59%	61%
The military told me about it	19%	10%
Friend/Family	8%	14%
Store Presence	7%	8%
Television	4%	5%
Other	4%	2%

For most payday loan borrowers, the most important reason they chose payday loans over another source for their short-term loan is because the process is quick and easy (40%). Other reasons that top the list are faster approval (15%). Significantly, fewer than one-in-five (18%) say that they chose a payday loan because there were no other alternatives. Also, only 13% were influenced primarily by the geographic proximity of a payday lender; this finding suggests that claims by various opponents of payday lending that lenders “target” military borrowers may be misguided.

“What was the MOST IMPORTANT reason for choosing a payday loan rather than another source?”

	BORROWER n=401
Quick and easy process	40%
No other alternative	18%
Faster approval	15%
More convenient location	13%
Less impact on credit	4%
Short term/no revolving debt	2%
Greater privacy	2%
Less paperwork	1%
Less expensive than other sources	1%
Recommendation	1%
Other	3%

Only one fourth of payday loan users indicate that the payday loan was not their first choice for meeting their short term borrowing needs. Of those, the plurality said their first choice was a loan from a friend or relative or that they did not know another source.

“If a payday loan was not your first choice, what was your first choice?”

	BOR- ROWER <i>n</i> =390
Loan from a friend/relative	40%
Don't know another source	29%
Bank or savings loan	17%
Military Program	6%
Finance Company	2%
Pawn shop	2%
Credit card company	2%
Credit union	1%
Bounce Check	0%
Other	1%

The number-one reason cited for needing a payday loan is to pay bills followed by family emergencies, household needs and travel. Thirteen percent (13%) needed the payday loan to help with an auto payment or repair.

“Thinking about the last payday loan you received; could you tell me specifically what you needed the money for?”

	BOR- ROWER <i>n</i> =302
Bills	30%
Family emergency	14%
Relocation	9%
Automotive repair	7%
Household needs	9%
Travel	7%
Vehicle payment	6%
Home improvement	2%
Pay off debt	1%
Don't know	11%
Other	6%

Most borrowers have taken fewer than four payday loans in the last twelve months, and 32% report only taking one. The median number of payday loans in the last twelve months is two.⁷

⁷Elliehausen, G. and E. C. Lawrence (2001) observed much higher rates of repeat usage, and longer periods of indebtedness, among the general population than in the present study of military enlisted borrow-

“Approximately how many times in the past 12 months have you received a payday loan?”

	BOR- ROWER <i>n</i> =401
1	32%
2	17%
3	13%
4	9%
5,6	8%
7,8	2%
9,10	2%
11 20	2%
21 50	2%
Don't know	7%
Mean	4.10
Median	2.00

Most people using payday loans borrow between \$200 and \$500 (59%) and most can correctly recall the fee they paid. Slightly more borrowers are dissatisfied (41%) than are satisfied (39%) with the fee amount they were charged with the balance, 19%, holding a neutral view.

“What was the dollar amount you borrowed (not including the fee)?”

	BOR- ROWER <i>n</i> =401
0-100	8%
101-200	20%
201-300	30%
301-400	11%
401-500	18%
500+	6%
Don't know	6%
Mean	348
Median	300

More than 8 in 10 (84%) say they were told about the annual percentage rate but nearly two-thirds (64%) were unable to recall it and only 9% cited an APR over 8%.

ers. *Payday Advance Credit in America: An Analysis of Customer Demand*, Monograph No. 35, Georgetown University, Credit Research Center. Only 16% of the general population of payday-loan borrowers had fewer than two loans in the last year; 65% of the general population had fewer than four loans.

Two in three borrowers are satisfied overall with their last payday loan (63%) and relatively few say they are dissatisfied (20%). Those who are dissatisfied cite the cost (70%) as the main reason.

“Overall, how satisfied or dissatisfied are you with your experience with your most recent payday loan?”

BORROWER n=364	
NET SATISFIED	39%
Very satisfied	13%
Somewhat satisfied	26%
NET DISSATISFIED	41%
Somewhat dissatisfied	20%
Very dissatisfied	21%
Neither satisfied or dissatisfied	19%

A complete copy of the instrument with annotated figures is provided in the appendix of this report.

Discussion and Conclusion

As suggested in the authors’ earlier study, these data underscore the importance of a thorough, comprehensive education in financial issues for military personnel, including the chain of command. While U.S. military personnel receive base pay comparable to that of their civilian counterparts, the youngest servicemembers — like the youngest members of the civilian workforce — experience financial stresses associated with household formation make more use of payday-loan services than others in the military. These stresses can be exacerbated when youthful servicemembers first decide to move off-base and assume responsibility for the economic welfare of family members. While the acquisition of durable goods can provide a stream of perceived economic benefits at this stage in life, problems associated with the use of credit for such acquisitions can frequently be avoided through education.

The authors continue to recommend that the Defense Department pursue a training program in financial awareness for all military personnel, particularly targeted on the chain of command and younger enlisted personnel.

About the Authors

William O. Brown, Jr. recently joined the faculty at The University of North Carolina at Greensboro, where he serves as Associate Professor of Finance. Before moving to UNC, Prof. Brown taught at Claremont McKenna College for 12 years, where he served as the Associate Director of the Financial Economics Institute. Prior to that, he was a member of the economics departments at the University of Louisville and Ball State University. He received his B.A. from Clemson University in 1988 and his Ph.D. in Applied Economics from Clemson University in 1993. Prof. Brown’s research focuses on asset price markets, corporate governance and university governance. He has published articles in professional journals including the *Journal of Finance* and the *American Economic Re-*

view. He has worked on a variety of consulting projects related to public policy issues in California, including after-school programs, the revision of tax laws and tribal gaming.

Charles B. Cushman, Jr. is Associate Dean of the Graduate School of Political Management at The George Washington University. A West Point graduate, he served nine years in the Army as an armor officer, commanding troops in Germany and at Fort Knox, Kentucky, and completing his service as an instructor at West Point. Prior to GWU, Dr. Cushman was a consultant to the Defense Department, and to the Space Commission headed by current Secretary of Defense Donald Rumsfeld. He has also been a lobbyist working to advance peace in the Middle East, and a defense advisor to Rep. David Price (D-NC) in the 105th Congress. He teaches courses on politics and public policy and national security policymaking. Prof. Cushman received his Ph.D. from The University of North Carolina at Chapel Hill.

Appendix A: Call Dispositions

Call Dispositions

Sample					
Total	6,228	Usable	4,181	Est. Usability	67.14%
Released	6,228	Unusable	2,047	Est. Eligibility	40.89%
Unreleased	-	Qualified	2,044	Est. Response	16.44%

	% of -->	Qualified	Usable	Released	Total	TOTAL
Unusable				28.42%	28.42%	1,770
Disconnected				26.11%	26.11%	1,626
Fax				0.69%	0.69%	43
Gov't/Business				1.62%	1.62%	101
Usability Unknown	27.66%	13.52%	13.52%	13.52%	13.52%	842
No Answer	26.67%	13.04%	13.04%	13.04%	13.04%	812
Busy	0.99%	0.48%	0.48%	0.48%	0.48%	30
Usable/Eligible	17.03%	8.32%	5.59%	5.59%	5.59%	348
Complete	16.44%	8.04%	5.39%	5.39%	5.39%	336
Break-Off	0.59%	0.29%	0.19%	0.19%	0.19%	12
Usable/Eligibility Unknown	55.32%	66.13%	44.40%	44.40%	44.40%	2,765
Refused	27.57%	32.96%	22.13%	22.13%	22.13%	1,378
Language Barrier	0.30%	0.36%	0.24%	0.24%	0.24%	15
Answering Machine	12.22%	14.61%	9.81%	9.81%	9.81%	611
Call Back-Retired	5.90%	7.06%	4.74%	4.74%	4.74%	295
Privacy Mgr/Cell	4.32%	5.17%	3.47%	3.47%	3.47%	216
Strong Refusal	5.00%	5.98%	4.01%	4.01%	4.01%	250
Usable/Ineligible		12.03%	8.08%	8.08%	8.08%	503
Not in Military		4.62%	3.10%	3.10%	3.10%	193
Not Pay Grade		4.69%	3.15%	3.15%	3.15%	196
No Pay Day Loan		1.55%	1.04%	1.04%	1.04%	65
Not in the Navy		1.17%	0.79%	0.79%	0.79%	49

Appendix B: Quantitative Research Topline Data

May 2006

**N=401 NON-BORROWER; N=404 PAYDAY-LOAN BORROWER
MARGIN OF ERROR FOR EACH SAMPLE = +/-5% AT 95% CONFIDENCE
INTERVAL**

SCREENERS

S1. Are you currently a member of the United States military?

	<u>Non-Borrower</u> n=401	<u>Borrower</u> n=404
Yes	100%	100%

S2. Can you please tell me your current rank?

	<u>Non-Borrower</u>	<u>Borrower</u>
Army Staff Sergeant	17% (33%)	16% (25%)
Army Sergeant	16% (31%)	20% (32%)
Army Corporal	4% (7%)	4%* (14%)
Army Specialist.....	8% (18%)	9% (14%)
Army Private First Class.....	4% (7%)	7% (11%)
Army Private.....	1% (2%)	2% (3%)
Army Private (Recruit)	0% (0%)	0% (0%)
<u>Total Army.....</u>	<u>63% (100%)</u>	<u>52% (100%)</u>
Air Force Technical Sergeant	10% (31%)	3% (16%)
Air Force Staff Sergeant	9% (34%)	6% (39%)
Air Force Senior Airman	5% (20%)	5% (34%)
Air Force Airman First Class.	3% (13%)	2% (10%)
Air Force Airman.....	1% (2%)	0% (2%)
Air Force Airman Basic	0% (0%)	0% (2%)
<u>Total Air Force.....</u>	<u>30% (100%)</u>	<u>15% (100%)</u>
Marines Staff Sergeant.....	1% (25%)	2% (25%)
Marines Sergeant	1% (19%)	2% (38%)
Marines Corporal	1% (19%)	1% (21%)
Marines Lance Corporal	1% (25%)	1% (13%)
Marines Private	1% (13%)	0% (4%)
<u>Total Marines.....</u>	<u>4% (100%)</u>	<u>6% (100%)</u>
Petty Officer First Class.....	12% (67%)	3% (21%)
Petty Officer Second Class	3% (19%)	6% (38%)
Petty Officer Third Class	1% (7%)	5% (30%)
Seaman.....	1% (4%)	1% (7%)

Seaman Apprentice	0% (2%)	1% (3%)
Seaman Recruit	0% (2%)	0% (2%)
<u>Total Navy</u>	<u>14% (100%)</u>	<u>15% (100%)</u>

Parenthetical percentages indicate rank as a percentage of its respective branch of the armed forces.

1. Would you describe the state of your own personal finances these days as very secure, fairly secure, fairly shaky or very shaky?

	<u>Non-Borrower</u>	<u>Borrower</u>
Very secure	29%*	14%
Fairly secure.....	54%	55%
Fairly shaky.....	11%	20%
Very shaky	6%	10%
Don't know (DNR)	1%	1%

* indicates significance at the 95% level.

2. During the last few years, has your financial situation been getting better, worse, or has it stayed the same?

	<u>Non-Borrower</u>	<u>Borrower</u>
Getting better	49%	46%
Getting worse.....	9%	16%
Stayed the same.....	42%*	38%
Don't know (DNR)	0%	0%

3. Thinking about your friends and the people you went to school with who are not in the military, do you think YOU are generally better off financially, generally worse off financially, or about the same as they are?

	<u>Non-Borrower</u>	<u>Borrower</u>
Generally better off financially	41%	48%
Generally worse off financially	13%	13%
About the same off financially	36%	34%
Don't know (DNR)	10%	6%

4. Have you ever been redeployed or moved by the military?

	<u>Non-Borrower</u>	<u>Borrower</u>
Yes	78%	77%
No.....	22%	23%

[IF YES IN Q4]

5. Would you say your redeployment or move worsened, improved or had no effect on your financial situation? If “worsened or improved”, would you say it (worsened/improved) your financial situation somewhat or a great deal?

	<u>Non-Borrower</u> n=315	<u>Borrower</u> n=307
Worsened a great deal.....	10%	9%
Worsened somewhat.....	16%	19%
<u>Net: worsened.....</u>	<u>26%</u>	<u>28%</u>
Improved somewhat.....	15%	16%
Improved a great deal.....	6%	6%
<u>Net: improved.....</u>	<u>21%</u>	<u>22%</u>
No effect.....	54%	50%

6. Please tell me whether you strongly agree, agree somewhat, disagree somewhat, or strongly disagree with each of the following statements.

Most benefit from the use of credit

	<u>Non-Borrower</u>	<u>Borrower</u>
Strongly Agree.....	30%	31%
Agree somewhat.....	42%	47%
<u>Net: agree.....</u>	<u>72%</u>	<u>78%</u>
Disagree somewhat.....	17%	15%
Strongly Disagree.....	11%	8%
<u>Net: disagree.....</u>	<u>28%</u>	<u>23%</u>

There is too much credit available today

	<u>Non-Borrower</u>	<u>Borrower</u>
Strongly Agree.....	51%*	37%
Agree somewhat.....	24%	26%
<u>Net: agree.....</u>	<u>75%</u>	<u>63%</u>
Disagree somewhat.....	18%	21%
Strongly Disagree.....	7%	16%*
<u>Net: disagree.....</u>	<u>25%</u>	<u>37%</u>

The government should limit the interest rates that lenders can charge even if it means fewer borrowers will be able to get credit.

	<u>Non-Borrower</u>	<u>Borrower</u>
Strongly Agree.....	42%	40%
Agree somewhat.....	33%	34%

Net: agree	75%	74%
Disagree somewhat	20%	18%
Strongly Disagree	5%	8%
Net: disagree	25%	26%

7. Do you have any of the following? (*select all the apply*)

	<u>Non-Borrower</u>	<u>Borrower</u>
Car loan.....	73%	77%
Unsecured bank credit card....	54%*	40%
Secured bank credit card	37%	31%
Home mortgage.....	31%*	13%
Home equity loan or line of credit	16%	11%
None (DNR).....	7%	7%

[IF CREDIT CARD, secured or unsecured]

8. In the past 12 months, how often did you pay off your monthly credit card balance in full?

	<u>Non-Borrower</u> n=293	<u>Borrower</u> n=241
Almost always.....	49%*	34%
Sometimes.....	25%	28%
Hardly ever.....	24%	33%*
Don't know (DNR)	3%	5%

9. Which of the following best describes your view of money that is loaned to you by a financial institution?

	<u>Non-Borrower</u>	<u>Borrower</u>
I view long-term loans differently from short-term loans.....	47%	58%*
I view all types of loans the same	53%*	42%

For now, let's talk about short-term loans or borrowing, which for purposes of this survey is a smaller loan that is paid back in a short period of time.

10. Have you needed a short-term loan in the past 12 months?

	<u>Non-Borrower</u>	<u>Borrower</u>
Yes	26%	70%*
No	74%*	30%

[IF YES IN Q10]

11. Thinking about the last time you needed a short-term loan, where did you go to borrow money? (*open-ended with pre-codes*)

	<u>Non-Borrower</u> n=106	<u>Borrower</u> n=346
Bank or savings and loan	43%*	27%
Payday loan.....	9%	42%*
Credit union	17%*	6%
Finance company	10%	9%
Credit card company	6%*	1%
Loan from a friend or relative	4%	3%
Car title loan.....	1%	1%
Home equity loan.....	0%	1%
Home equity line of credit	0%	1%
Pawn shop.....	0%	1%
Bounce check.....	0%	0%
Military aid program.....	8%	8%
Other	2%	2%

[IF PAYDAY LOAN IN Q11]

12. Did you receive the payday loan from a company on the Internet, or from a store?

	<u>Non-Borrower</u> n=8	<u>Borrower</u> n=99
Store	90%	94%
Internet.....	10%	6%

13. Was the **[INSERT RESPONSE FROM Q11]** your first choice for borrowing money for this short term need?

	<u>Non-Borrower</u> n=106	<u>Borrower</u> n=279
Yes	88%*	73%
No.....	12%	27%*

[IF NO IN Q13]

14. What was your first choice? (*open-ended with pre-codes*)

	<u>Non-Borrower</u> n=13	<u>Borrower</u> n=76
Bank or savings and loan	39%	41%
Loan from a friend or relative	22%	21%
Credit union	12%	8%

Credit card company	10%*	5%
Payday loan.....	5%	5%
Military Program.....	7%	8%
Finance company	0%	7%
Home equity line of credit	0%	1%
Pawn shop	0%	1%
Car title loan.....	0%	0%
Home equity loan.....	0%	0%
Bounce check.....	0%	0%
Other	12%	2%

15. Why did you not go with your first choice? (*open-ended*)

	<u>Non-Borrower</u> n=13	<u>Borrower</u> n=76
Declined	46%	72%*
High Interest Rate/Too Expensive	15%*	6%
No Other Source	15%	3%
Borrower Service	8%	6%
Not Fast Enough	8%	6%
Don't Remember.....	0%	3%
Other	8%	3%

[IF YES IN Q13]

16. Thinking about the last time you borrowed money from **[INSERT RESPONSE FROM Q11]**, could you tell me specifically what you needed the money for? (*open-ended*)

	<u>Non-Borrower</u> n=93	<u>Borrower</u> n=204
Bills.....	26%	29%
Automotive Repair.....	13%	15%
Pay Off Debt	11%	8%
Travel	9%	10%
Family Emergency	9%	6%
Household Needs	5%	6%
Vehicle Payment	5%	5%
Relocation	5%	6%
Home Improvement	5%	4%
Other	2%	7%
Don't Know (DNR)	10%*	4%

[IF NOT BOUNCE CHECK IN Q14]

17. Sometimes people overdraw a checking account or bounce a check when they are short on cash. Have you ever bounced a check or overdrawn an account when you were short on cash?

	<u>Non-Borrower</u>	<u>Borrower</u>
Yes	35%	78%*
No.....	64%*	21%
Don't know (DNR)	1%	1%

[IF YES IN Q17]

18. Which of the following best describes your situation

	<u>Non-Borrower</u> n=143	<u>Borrower</u> n=311
My bank or financial institution charges a fee for bounced checks and disclosed the fee amount to me.....	77%	87%*
I do not recall my bank telling me whether they charge a fee or not	15%*	4%
My bank or financial institution charges a fee but never disclosed the fee amount to me.....	7%	6%
My bank or financial institution does not charge a fee for bounced checks	1%	2%

19. Sometimes, people are just unable to pay all of their regular, monthly bills on time. Thinking about the last six months, how often would you say you had to pay a regular, monthly bill a little bit late? Would you say you did this...

	<u>Non-Borrower</u>	<u>Borrower</u>
Frequently	3%	14%*
Occasionally.....	7%	25%*
Seldom	24%	41%*
Never.....	65%*	21%

20. Do you think you have or don't have enough different choices for meeting your short term borrowing needs?

	<u>Non-Borrower</u>	<u>Borrower</u>
I have enough choices.....	85%*	62%
I DON'T have enough choices	15%	38%*

Now let's talk about payday loans.

A payday loan is a short-term loan that you pay back on your next payday, also known as a payday advance or a deferred deposit loan.

21. Before this survey, had you ever heard of payday loans?

	<u>Non-Borrower</u> n=392	<u>Borrower</u> n=298
Yes	89%	100%*
No.....	11%*	0%

[IF YES IN Q21]

22. Where did you first hear about payday loans?

	<u>Non-Borrower</u> n=400	<u>Borrower</u> n=362
Advertising by companies.....	59%	61%
The military told me about it .	19%	10%
Friend/family.....	8%	14%*
Store Presence.....	7%	8%
Television.....	4%	5%
Other	4%	2%

[IF NOT USED PAYDAY LOAN IN Q11]

23. Have you ever received a payday loan?

	<u>Borrower</u> n=209
Yes	100%*
No.....	0%
Don't know (DNR)	0%

24. Thinking about the last payday loan you received; could you tell me specifically what you needed the money for?

	<u>Borrower</u> n=302
Bills.....	30%
Family Emergency	14%
Relocation	9%
Automotive Repair.....	7%
Household Needs	9%
Travel	7%
Vehicle Payment	6%
Home Improvement	2%

Pay off debt.....	1%
Don't Know	11%
Other	6%

25. Did you get the payday loan on the internet or did you go into an actual store?

	<u>Borrower</u>
	n=302
Online.....	5%
Store	95%

26. Approximately how many times in the past 12 months have you received a payday loan?

	<u>Borrower</u>
	n=401
1.....	32%
2.....	17%
3.....	13%
4.....	9%
5-6	8%
7,8.....	2%
9,10.....	2%
11-20	2%
21-50	2%
Don't Know (DNR)	7%
Mean	4.1
Median	2.0

For the next few questions, please think about your experience with your most recent payday loan.

27. Before you received your payday loan, did you consider sources other than payday loan companies for borrowing the cash?

	<u>Borrower</u>
	n=302
Yes	49%
No.....	51%

[IF YES IN Q27]

28. What other sources did you consider?

	<u>Borrower</u>
	n=147
Bank or savings and loan	48%

Loan from a friend or relative	41%
Credit card company	5%
Credit union	8%
Military Assistance Program..	6%
Finance company	3%
Pawn shop	3%
Car title loan.....	1%
Bounce check	0%
Other	2%

29. What was the MOST IMPORTANT reason for choosing a payday loan rather than another source?

	<u>Borrower</u>
	n=401
Quick and easy process.....	40%
Faster approval.....	15%
No other alternative source....	18%
A more convenient location...	13%
Less harm to my credit.....	4%
A short term or no revolving debt	2%
Greater privacy.....	2%
Less expensive than other sources for borrowing cash	2%
Less paper work	1%
Recommendation	1%
Other	3%

30. If a payday loan was not available to you, which source would you have used to borrow the cash?

	<u>Borrower</u>
	n=390
Loan from a friend or relative	40%
Bank or savings and loan	17%
Military Program.....	6%
Finance company	2%
Credit card company	2%
Pawn shop	2%
Credit union	1%
Bounce check	0%
Car title loan.....	0%
Don't know of any other source	29%
Other	1%

Again, please think about your experience with your most recent payday loan for the next few questions.

31. What was the dollar amount you borrowed, NOT INCLUDING THE FEE?

	<u>Borrower</u> n=283
0-100	8% (47%)
101-200	20% (44%)
201-300	30% (41%)
301-400	11% (82%)
401-500	18% (62%)
500+	6% (41%)
Don't know (DNR)	6%
Mean	348
Median	300

Parenthetical percentages indicate the proportion of respondents in each loan gradation that correctly listed the amount of the fee according to the industry standard of \$15 fee per every \$100 lent.

32. How satisfied or dissatisfied are you with the fee that you paid to receive the payday loan?

	<u>Borrower</u> n=364
Very satisfied	13%
Somewhat satisfied	26%
<u>Net: satisfied</u>	<u>39%</u>
Neither satisfied nor dissatisfied	19%
Somewhat dissatisfied.....	20%
Very dissatisfied.....	21%
<u>Net: dissatisfied.....</u>	<u>41%</u>
Don't know (DNR)	1%

33. Were you given any information on the annual percentage rate of interest when you got this payday loan?

	<u>Borrower</u>
Yes	84%
No.....	16%

[IF YES IN Q34]

34. What was the annual percentage rate of interest?

	<u>Borrower</u>
	n=337
0-2	5%
2.01-4	15%
4.01-6	8%
6.01-8	2%
8+	9%
Don't know (DNR)	64%
Mean	8.0
Median	4.1

35. Overall, how satisfied or dissatisfied are you with your experience with your most recent payday loan?

	<u>Borrower</u>
Very satisfied	28%
Somewhat satisfied	35%
<u>Net: satisfied</u>	<u>63%</u>
Neither satisfied nor dissatisfied	17%
Somewhat dissatisfied.....	8%
Very dissatisfied.....	12%
<u>Net: dissatisfied.....</u>	<u>20%</u>
Don't know (DNR)	1%

[IF DISSATISFIED IN Q36]

36. Why were you dissatisfied with the payday loan?

	<u>Borrower</u>
	n=77
Too costly.....	70%
Create a cycle of debt.....	11%
Inconvenient.....	10%
Borrower service was not good	4%
Other	5%

I just have a few final questions for classification purposes only.

37. How long do you plan to remain in the military?

	<u>Non-Borrower</u>	<u>Borrower</u>
1-3 years.....	27%	33%

4-6	18%	18%
7-10	13%	14%
11-20	26%	26%
20+	2%	3%
Don't know (DNR)	14%	11%
Mean	8.81	8.32
Median	6.00	5.00

38. Do you live on-base or off-base?

	<u>Non-Borrower</u>	<u>Borrower</u>
On-base	44%	37%
Off-base	56%	63%

39. Which of the following best describes your marital status?

	<u>Non-Borrower</u>	<u>Borrower</u>
Married or living with partner	82%*	68%
Separated.....	2%	7%*
Divorced.....	5%	7%
Never Married.....	11%	18%*
Refused	1%	0%

[IF MARRIED]

40. Is your spouse also in the military?

	<u>Non-Borrower</u>	<u>Borrower</u>
	n=332	n=271
Yes	13%	11%
No.....	87%	89%

41. Could you please tell me your age?

	<u>Non-Borrower</u>	<u>Borrower</u>
18-24	21%	33%*
25-34	41%	50%*
35-44	30%*	14%
45+	8%*	2%
Don't know (DNR)	1%	2%
Mean	32.42	28.34

42. For tabulation purposes only, please tell me which of the following income categories includes your total household income for 2004 – just stop me when I read the correct category:

	<u>Non-Borrower</u>	<u>Borrower</u>
Less than \$15,000	3%	1%
\$15,000 but less than \$20,000	6%	10%*
\$20,000 but less than \$30,000	20%	27%
\$30,000 but less than \$40,000	23%	29%
\$40,000 but less than \$50,000	14%	19%
\$50,000 but less than \$75,000	19%*	10%
\$75,000 but less than \$100,000	7%*	2%
\$100,000 or over	4%*	1%
Don't know/refused	5%*	1%

43. What was the last grade you completed in school?

	<u>Non-Borrower</u>	<u>Borrower</u>
0-11	2%	3%
High school grad	44%	48%
Technical/vocational school...	2%	3%
Some college	29%	37%*
College grad	15%*	6%
Graduate degree	8%*	2%
Refused	0%	1%

44. Record Gender

	<u>Non-Borrower</u>	<u>Borrower</u>
Male	78%	80%
Female	22%	20%