

Report on the Exit Interviews of Payday Loan Customers

Jerry Buckland, Professor and Acting Director,
Master's in Development Practice
The University of Winnipeg
International Development Studies
Menno Simons College
515 Portage Avenue
Winnipeg, MB R3B 2E9

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An exit interview was undertaken to assist in understanding the extent to which payday lenders are complying with the Manitoba payday lending regulations. This method, like the mystery shopping, is a field method that is undertaken in a non-randomized field research fashion. Unlike a randomized method in which results stand on their own, field methods are often combined to triangulate on a particular issue. Triangulation, or using a variety of field methods to examine the same issue, enhances the validity and reliability of the results.

Interview Methodology

A number of exit interviews were conducted for this report by four research assistants between April 26 and May 11, 2013 (see Appendix for questionnaire). The interviewers stood outside an assortment of payday lenders across Winnipeg, usually between 11:00 am and 6:00 pm, and asked people exiting these stores to participate in this research project. The interviewers screened for eligibility by asking these people if they had recent experience with small loans. In total there were 56 surveys completed by people who had recent experience with a small loan from Cash Money, Money Mart and The Cash Store. The research assistants also asked at Instaloz locations but no exit interviews were completed from that store chain. There were 100 people who were asked to participate but did not meet the requirements (no recent experience with a small loan) and another 101 people who were eligible but declined to participate in this research. This constitutes a rate of non-response of 64.3% which compares favourably with the exit interview non-response to the survey of fringe financial institution customers in Prince George conducted by Bowles et al (2011). The exit interview questionnaire is provided at the end of this report.

Note that voluntary exit interviews typically involve substantial non-response and a survey methodology that does not permit the results to represent a random

sample of the population of payday loan customers. As a result, these exit interview results cannot be used to make inferences about the characteristics of all payday loan customers in Winnipeg. Rather, the results should be interpreted as an interesting examination of a set of payday loan customers who were approached and willing to respond to the interview questionnaire.

Results

The data from the entire sample revealed some details about the customers and practice of payday lenders. More specifically the following noted details about the 56 survey respondents were gleaned from the exit interviews. The significant majority of consumers are renters, either self-described Indigenous or Caucasian and use payday lenders for payday loans and not for any other financial services. While the average age was in the mid-thirties ages ranged from 17 to 70. There is basically an equal number of male and female customers. A little under 2/3 of consumers are employed full-time, while 1/5 have part-time employment and another 1/5 are not employed. Almost all customers claim to understand how the loan works as well as the fee components and total fees. However consumers reported less understanding of the fee components and total fees than the working of the loan. Most customers have never asked for or received a roll-over/extension/repeat loan. These consumers go to payday lenders instead of banks or credit unions because they feel more welcome at payday lenders, it takes less time than a bank/credit union or they are ineligible for a bank loan or credit card. Most loans were either one or two week loans with an average loan of \$188 and average fee of \$38.

The data also revealed a few distinctions between payday lenders. Loans from Cash Money were generally larger than average, Money Mart loans were close to average and The Cash Store had loans smaller than average. At the same time The Cash Store total fees were larger than the other two companies who had similar total fees. Cash Money and Money Mart consumers were close to average in understandability of how the loan works and the fee components and total fees.

Customers from The Cash Store reported lower than average levels of loan understanding. Cash Money attracted a higher level of Indigenous people, Money Mart attracted below average levels of Indigenous and Caucasian people but a higher level of Asian-Canadians. Customers from Money Mart also reported higher than average levels of full-time employment while consumers from The Cash Store reported higher than average levels of unemployment. Finally it should be noted that The Cash Store data is based on an extremely small sample size (n=4) due to the difficulty in finding people willing and able to complete the exit interview.

There were differences between stores dependent on location within Winnipeg as well. Loans from Inner City were larger than average while loans from Downtown were smaller than average. The total fees from Suburbs were the largest although close to average. However when the loan length is taken into consideration the fees from the Suburbs were larger than either of the other two sub-sections. Customers from the Suburbs reported higher than average levels of understanding in both how the loan works and the fee components and total fees. In contrast customers from Downtown reported lower than average levels of understanding in both categories. Consumers from the Suburbs were younger than average and more likely to ask for a roll-over/extension/repeat loan. There was also higher than average percentage of Asian-Canadian customers and lower than average percentage of Indigenous people in the Suburbs. Inner City reported higher than average percentage of Indigenous people while there was a higher level of African-Canadian respondents from the Downtown section. There was a higher level of unemployment reported among Downtown respondents while the Suburbs reported higher levels of full-time employment and lower than average unemployment. Reasons for going to a payday lender instead of a bank or credit union also varied. Responses from Inner City and Suburbs noted ineligibility for bank loans and credit cards while responses from Downtown emphasized the decreased time.

References

Bowles, P., D. Ajit, K. Dempsey and T. Shaw (2011) "Urban Aboriginal use of fringe financial institutions: Survey evidence from Prince George, British Columbia," *Journal of Socioeconomics*, vol. 40, pp. 895-902

Tables

The pages below contain a more detailed and numerical summary of the data extracted from exit interviews:

| Summary of Entire Sample | | | | | |
|--|---|---------------|--------------|----------------|----------------|
| n=56 | | | | | |
| <i>Living Situation</i> | 91% rent, 5% own, 4% live with family/friends | | | | |
| <i>Racial Background</i> | 39% Indigenous, 34% Caucasian, 11% Asian, 5% African, 4% Latin American, 7% Other ¹ | | | | |
| <i>Gender</i> | 55% male, 45% female | | | | |
| <i>Employment Status</i> | 57% full-time, 21% part-time, 18% not employed, 4% casual | | | | |
| <i>Type of Loan</i> | 88% payday loans, 9% line of credit, 4% in lieu of gov't cheque | | | | |
| <i>Other Services</i> | 91% don't use other financial services from payday lender | | | | |
| <i>Understandability of Loan</i> | 82% very understandable, 13% somewhat understandable, 4% neutral, 2% somewhat confusing | | | | |
| <i>Understandability of Fees</i> | 68% very understandable, 23% somewhat understandable, 5% neutral, 4% somewhat confusing | | | | |
| <i>Requested Extension</i> | 75% have never requested &/or received a roll-over/extension/repeat loan | | | | |
| <i>Reason for choosing payday lender</i> | 30% feel more welcome than at bank/credit union, 29% takes less time than bank, 25% ineligible for bank loan/credit card, 14% better location, 30% other - usually the reason was ease, didn't think banks gave loans this small ² | | | | |
| | Mean³ | Median | Range | Minimum | Maximum |
| <i>Age</i> | 37.5 | 36 | 53 | 17 | 70 |
| <i>Loan Length</i> | 11 days | 7.5 days | 59 days | 1 days | 60 days |
| <i>Loan Amount</i> | \$188 | \$197.50 | \$430 | \$30 | \$460 |
| <i>Total Fee⁴</i> | \$38 | \$34 | \$72.90 | \$5.10 | \$78 |

1 The racial background Other usually consisted of a mixture of races/ethnicities.

2 The survey gave the opportunity for respondents to provide more than one answer for the reason for choosing payday lenders over a bank/credit union. For this reason the percentages do not add up to 100%. I also only included reasons if more than 10% of respondents provided that reason.

3 Both the mean and median are provided. Since there were a few outliers, the median provides a useful alternative representation of the central tendency in the survey data.

| | | | | | |
|-----------------|---------|---------|----------|--------|-------|
| <i>Fee/Week</i> | \$32.79 | \$26.21 | \$355.02 | \$1.98 | \$357 |
|-----------------|---------|---------|----------|--------|-------|

Note on Fee/Week: I provided the fee/week simply to standardize the total fee to a singular time frame. These do not represent the actual fees that occurred although they are proportional to the actual fees.

- a. Example: In the summary of the entire sample the maximum fee/week is \$357. This was derived from a 1 day loan of \$200 with a total fee of \$51.
- b. Example: This explains why the minimum fee/week is so low. There was one survey with a length of 60 days (an outlier) with no significant additional fees required. Thus the fee/week is quite low.
- c. These two outliers are present in a number of the sub-samples. As such the minimum and maximum fee/week is quite low and high respectively.
- d. As such while the mean and median fee/week may be useful the range, minimum and maximum may be less useable.

| Sub-Sample: Cash Money | |
|----------------------------------|---|
| n=36 | |
| <i>Living Situation</i> | 92% rent, 3% own, 6% live with family/friends |
| <i>Racial Background</i> | 47% Indigenous, 36% Caucasian, 6% Asian, 6% Latin American, 6% Other |
| <i>Gender</i> | 50% male, 50% female |
| <i>Employment Status</i> | 53% full-time, 25% part-time, 17% not employed, 6% casual |
| <i>Type of Loan</i> | 94% payday loans, 3% line of credit, 3% in lieu of gov't cheque |
| <i>Other Services</i> | 86% don't use other financial services from payday lender |
| <i>Understandability of Loan</i> | 83% very understandable, 11% somewhat understandable, 6% neutral |
| <i>Understandability of Fees</i> | 67% very understandable, 25% somewhat understandable, 6% neutral, 3% somewhat confusing |

4 The total fee represents the total fee paid on loans regardless of the length of the loan.

| | | | | | |
|--|--|---------------|--------------|----------------|----------------|
| <i>Requested Extension</i> | 72% have never requested &/or received a roll-over/extension/repeat loan | | | | |
| <i>Reason for choosing payday lender</i> | 36% feel more welcome than at bank/credit union, 28% ineligible for bank loan/credit card, 22% takes less time than bank, 17% better location, 31% other - usually the reason was ease, didn't think banks gave loans this small | | | | |
| | Mean | Median | Range | Minimum | Maximum |
| <i>Age</i> | 36.9 | 36 | 50 | 17 | 67 |
| <i>Loan Length</i> | 10 days | 7 days | 21 days | 6 days | 27 days |
| <i>Loan Amount</i> | \$204 | \$200 | \$430 | \$30 | \$460 |
| <i>Total Fee</i> | \$38 | \$34 | \$72.90 | \$5.10 | \$78 |
| <i>Fee/Week</i> | \$27.75 | \$28.21 | \$69.03 | \$3.97 | \$73 |

| Sub-Sample: Money Mart | | | | | |
|--|--|---------------|--------------|----------------|----------------|
| n=16 | | | | | |
| <i>Living Situation</i> | 94% rent, 6% own | | | | |
| <i>Racial Background</i> | 25% Indigenous, 25% Caucasian, 25% Asian, 19% African, 6% Other | | | | |
| <i>Gender</i> | 63% male, 38% female | | | | |
| <i>Employment Status</i> | 75% full-time, 19% part-time, 6% not employed | | | | |
| <i>Type of Loan</i> | 94% payday loans, 6% in lieu of gov't cheque | | | | |
| <i>Other Services</i> | 100% don't get other financial services | | | | |
| <i>Understandability of Loan</i> | 88% very understandable, 13% somewhat understandable | | | | |
| <i>Understandability of Fees</i> | 75% very understandable, 19% somewhat understandable, 6% neutral | | | | |
| <i>Requested Extension</i> | 81% have never requested &/or received a roll-over/extension/repeat loan | | | | |
| <i>Reason for choosing payday lender</i> | 44% takes less time than bank, 19% ineligible for bank loan/credit card, 19% feel more welcome than at bank/credit union, 13% better location, 44% other - usually the reason was ease, didn't think banks gave loans this small | | | | |
| | Mean | Median | Range | Minimum | Maximum |
| <i>Age</i> | 37.1 | 34 | 50 | 20 | 70 |
| <i>Loan Length</i> | 10 days | 8 days | 19 days | 1 days | 20 days |
| <i>Loan Amount</i> | \$178 | \$172.50 | \$285 | \$50 | \$335 |
| <i>Total Fee</i> | \$35 | \$32.75 | \$60 | \$8 | \$68 |
| <i>Fee/Week</i> | \$47.08 | \$26.25 | \$353 | \$4 | \$357 |

| Sub-Sample: The Cash Store/Instaloans⁵ | |
|--|-------------------|
| n=4 | |
| <i>Living Situation</i> | 75% rent, 25% own |

| | | | | | |
|--|---|---------------|--------------|----------------|----------------|
| <i>Racial Background</i> | 50% Caucasian, 25% Indigenous, 25% Other | | | | |
| <i>Gender</i> | 75% male, 25% female | | | | |
| <i>Employment Status</i> | 75% not employed, 25% full-time | | | | |
| <i>Type of Loan</i> | 100% line of credit | | | | |
| <i>Other Services</i> | 100% don't get other financial services | | | | |
| <i>Understandability of Loan</i> | 50% very understandable, 25% somewhat understandable, 25% somewhat confusing | | | | |
| <i>Understandability of Fees</i> | 50% very understandable, 25% somewhat understandable, 25% somewhat confusing | | | | |
| <i>Requested Extension</i> | 75% have never requested &/or received a roll-over/extension/repeat loan | | | | |
| <i>Reason for choosing payday lender</i> | 25% feel more welcome than at bank/credit union, 25% takes less time than bank, 25% ineligible for bank loan/credit card, 50% other - usually the reason was that they didn't think banks gave loans this small | | | | |
| | Mean | Median | Range | Minimum | Maximum |
| <i>Age</i> | 44 | 39 | 42 | 28 | 70 |
| <i>Loan Length</i> | 29 days | 24.5 days | 53 days | 7 days | 60 days |
| <i>Loan Amount</i> | \$90 | \$100 | \$430 | \$60 | \$100 |
| <i>Total Fee</i> | \$43 | \$41 | \$56 | \$17 | \$73 |
| <i>Fee/Week</i> | \$21.08 | \$16.17 | \$48.02 | \$1.98 | \$50 |

| Sub-Sample: Downtown | |
|----------------------------------|---|
| n=10 | |
| <i>Living Situation</i> | 90% rent, 10% own |
| <i>Racial Background</i> | 30% Indigenous, 30% Caucasian, 20% African, 10% Asian, 10% Other |
| <i>Gender</i> | 70% male, 30% female |
| <i>Employment Status</i> | 60% full-time, 30% not employed, 10% part-time |
| <i>Type of Loan</i> | 60% payday loans, 30% line of credit, 10% in lieu of gov't cheque |
| <i>Other Services</i> | 100% don't use other financial services from payday lender |
| <i>Understandability of Loan</i> | 80% very understandable, 10% somewhat understandable, 10% somewhat confusing |
| <i>Understandability of Fees</i> | 70% very understandable, 10% somewhat understandable, 10% neutral, 10% somewhat confusing |
| <i>Requested</i> | 100% have never requested &/or received a roll- |

5 As noted in the write up The Cash Store numbers come from a sample size of 4. It was very difficult completing surveys from The Cash Store (and Instaloes). The numbers need to be used with caution.

| | | | | | |
|--|--|---------------|--------------|----------------|----------------|
| <i>Extension</i> | over/extension/repeat loan | | | | |
| <i>Reason for choosing payday lender</i> | 40% takes less time than bank, 20% feel more welcome than at bank/credit union, 20% better location, 10% ineligible for bank loan/credit card, 10% maxed out on bank loans/ credit card, 60% other - usually the reason was ease, didn't think banks gave loans this small | | | | |
| | Mean | Median | Range | Minimum | Maximum |
| <i>Age</i> | 39.7 | 34 | 45 | 25 | 70 |
| <i>Loan Length</i> | 15 days | 8 days | 54 days | 6 days | 60 days |
| <i>Loan Amount</i> | \$142 | \$117.50 | \$200 | \$60 | \$260 |
| <i>Total Fee</i> | \$33 | \$26.35 | \$56 | \$17 | \$73 |
| <i>Fee/Week</i> | \$24.39 | \$21.79 | \$49.59 | \$1.98 | \$51.57 |

| Sub-Sample: Inner City | | | | | |
|--|--|---------------|--------------|----------------|----------------|
| n=35 | | | | | |
| <i>Living Situation</i> | 94% rent, 3% own, 3% live with family/friends | | | | |
| <i>Racial Background</i> | 51% Indigenous, 34% Caucasian, 6% Asian, 6% Latin American, 3% Other | | | | |
| <i>Gender</i> | 51% female, 49% male | | | | |
| <i>Employment Status</i> | 51% full-time, 23% part-time, 20% not employed, 6% casual | | | | |
| <i>Type of Loan</i> | 91% payday loans, 6% line of credit, 3% in lieu of gov't cheque | | | | |
| <i>Other Services</i> | 89% don't use other financial services from payday lender | | | | |
| <i>Understandability of Loan</i> | 80% very understandable, 14% somewhat understandable, 6% neutral | | | | |
| <i>Understandability of Fees</i> | 66% very understandable, 26% somewhat understandable, 6% neutral, 3% somewhat confusing | | | | |
| <i>Requested Extension</i> | 74% have never requested &/or received a roll-over/extension/repeat loan | | | | |
| <i>Reason for choosing payday lender</i> | 31% feel more welcome than at bank/credit union, 29% ineligible for bank loan/credit card, 23% takes less time than bank, 17% better location, 31% other - usually the reason was ease, didn't think banks gave loans this small | | | | |
| | Mean | Median | Range | Minimum | Maximum |
| <i>Age</i> | 38 | 38 | 50 | 17 | 67 |
| <i>Loan Length</i> | 10 days | 7 days | 22 days | 6 days | 28 days |
| <i>Loan Amount</i> | \$202 | \$200 | \$430 | \$30 | \$460 |
| <i>Total Fee</i> | \$39 | \$34 | \$72.90 | \$5.10 | \$78 |
| <i>Fee/Week</i> | \$27.29 | \$26.92 | \$69.03 | \$3.97 | \$73 |

| Sub-Sample: Suburbs | |
|----------------------------|--|
| n=11 | |

| | | | | | |
|--|---|---------------|--------------|----------------|----------------|
| <i>Living Situation</i> | 82% rent, 9% own, 9% live with family/friends | | | | |
| <i>Racial Background</i> | 36% Caucasian, 27% Asian, 9% Indigenous, 9% African, 18% Other | | | | |
| <i>Gender</i> | 64% male, 36% female | | | | |
| <i>Employment Status</i> | 73% full-time, 27% part-time | | | | |
| <i>Type of Loan</i> | 100% payday loans | | | | |
| <i>Other Services</i> | 91% don't use other financial services from payday lender | | | | |
| <i>Understandability of Loan</i> | 91% very understandable, 9% somewhat understandable | | | | |
| <i>Understandability of Fees</i> | 73% very understandable, 27% somewhat understandable | | | | |
| <i>Requested Extension</i> | 55% have never requested &/or received a roll-over/extension/repeat loan | | | | |
| <i>Reason for choosing payday lender</i> | 36% feel more welcome than at bank/credit union, 36% takes less time than bank, 27% ineligible for bank loan/credit card, 27% other | | | | |
| | Mean | Median | Range | Minimum | Maximum |
| <i>Age</i> | 33.8 | 34 | 27 | 20 | 47 |
| <i>Loan Length</i> | 10 days | 7 days | 14 days | 1 days | 15 days |
| <i>Loan Amount</i> | \$186 | \$200 | \$285 | \$50 | \$335 |
| <i>Total Fee</i> | \$40 | \$36 | \$72.90 | \$8 | \$75 |
| <i>Fee/Week</i> | \$57.96 | \$27.46 | \$353 | \$4 | \$357 |

Exit Interview Questionnaire

April 2013

- Interviewer's name: _____
- Date & time of interview: _____
- Payday loan company: _____
- Location: _____
- Total number of your refusals at this location: _____

Start

- We are undertaking research on payday lending under the auspices of the Public Interest Law Centre, Winnipeg. Would you be willing to participate in a 10 minute survey?

- Do you have a recent experience with a small loan from this payday loan outlet (e.g., payday loan, loan in lieu of another government cheque [e.g., Child Tax Benefit], 'line of credit' loan)? If yes, continue...

Demographic Characteristics

1. How would you describe your current living situation?
 - 1.1. Rent
 - 1.2. Own
 - 1.3. Live with friends or family

2. How would you define your racial/ethnic background?
 - 2.1. Indigenous (First Nations, Inuit or Métis)
 - 2.2. Caucasian
 - 2.3. Asian
 - 2.4. African
 - 2.5. Latin American
 - 2.6. Other _____

3. What is your age? _____

4. Gender (observation):
 - 4.1. Male
 - 4.2. Female

5. What is your current employment status?
 - 5.1. Not employed
 - 5.2. Full-time
 - 5.3. Part-time
 - 5.4. Casual
 - 5.5. Self-employment

6. If not employed, how do you financially support yourself?
 - 6.1. Unemployment insurance
 - 6.2. Social assistance
 - 6.3. Long-term or short-term disability
 - 6.4. Pension
 - 6.5. Old-age pension
 - 6.6. Retirement savings

Small loan

7. What type of small loan have you taken with the outlet?
 - 7.1. Payday
 - 7.2. In lieu of another government cheque
 - 7.2.1. Type of cheque: _____
 - 7.3. 'Line of credit'
 - 7.4. Other: _____

8. Do you get other financial services from the payday lender?
 - 8.1. Yes
 - 8.2. No

9. If yes, which services: _____

10.Regarding the loan in question

10.1. When did you take it out: _____

10.2. When did you repay it: _____

10.3. How large was the loan: _____

10.4. What is the total fee charged for the loan: _____

11.Other than the fees, did you understand how the loan works (eligibility, materials to provide, duration of loan)?

11.1. Very understandable

11.2. Somewhat understandable

11.3. Neither understandable nor confusing

11.4. Somewhat confusing

11.5. Very confusing

12.Did you understand the fee components and the total fee?

12.1. Very understandable

12.2. Somewhat understandable

12.3. Neither understandable nor confusing

12.4. Somewhat confusing

12.5. Very confusing

13.Did you ever ask for &/or receive a roll-over/extension/repeat loan?

13.1. Yes

13.2. No

14.If yes: please tell us how it worked

14.1. For how long: _____

14.2. What were the additional fees: _____

15. Why do you choose to get a loan from this lender instead of a bank or credit union)? (Check all that are applicable)

15.1. Better location than bank

15.2. Better operating hours than bank

15.3. Takes less time than bank

15.4. Do not need photo identification

15.5. Ineligible for a bank loan/credit card

15.6. Maxed out on bank loans/credit card credit

15.7. Get treated well/feel more welcome than at the bank or credit union

15.8. Other (specify): _____