

## Online Short-Term Lending Second Annual Statistical Analysis Report

### Data Fact Sheet

#### AT A GLANCE: THE CUSTOMER

##### Who is Using Online Short-Term Loan Products?

- Median age of the customer is 41 years old [increase from 39 in 2014 report].
- Median household income is \$30,235 [increase from \$30,000].
- Customers are primarily paid bi-weekly [consistent with last year's study].

##### Who is Using Online Installment Loan Products?

*Product was not evaluated in 2014, no prior comparison available.*

- Median age of the customer is 43 years old.
- Median household income is \$40,263.
- Customers are primarily paid bi-weekly.

#### AT A GLANCE: THE LOAN

##### Online Short-Term Loan Usage Characteristics

- Median loan amount is \$428 [increase from \$388 in 2014 study].
- Median loan cost is \$113.
- Median loan terms are 20 days.
- Median annual number of days indebted is 73 days [ranged from 70 to 106 days in 2014].

##### Online Short-Term Loan Performance Characteristics

- 67% of loans reported were paid [down from 71% in 2014 study].
- 72% of loans reported had no delinquency flag [consistent with 2014 study].
- 79% of loans reported had no charge-off flag [down from 89% in 2014 study].

##### Online Installment Loan Usage Characteristics

- Median loan amount is \$667.
- Median loan cost is \$690.
- Median loan terms are 148 days.
- Median annual number of days indebted is 135 days.

##### Online Installment Loan Performance Characteristics

- 56% of loans reported were paid as agreed.
- 70% of loans reported had no delinquency flag.
- 78% of loans reported had no charge-off flag.

#### Conclusions

- A significant number of customers pay their loan as agreed.
- There is a movement from the traditional two week "payday" product to Installment (3 to 12 month terms). Single payment loans are still a significant portion of the market, but are declining and installment loans are increasing.
  - Several of the lenders represented in this analysis have either eliminated single payment products or are migrating to the installment product while still offering the single payment loan.
- Traditional, short-term loans fit into a continuum of credit services and can be less costly than overdrafts.

- The results of this study in conjunction with other relevant analyses do not indicate the consumer is harmed by either the single payment or installment loan.

## ABOUT THE STUDY

In early 2015, the Online Lenders Alliance commissioned Bretton-Woods, Inc. to conduct an update to last year's statistical analysis of the customer and loan characteristics of online short-term loans.

The 2015 study includes:

- 15.3 million records from three specialty credit bureaus, covering a three-year period (2012-2014).
- 3.7 million single payment and installment loan records from seven lenders, covering a three-year period (2012-2014).

The intent of the study was to:

- Augment the credit bureau data with lender data to analyze both single pay and installment loan usage characteristics;
- Compare to the baseline data for single pay loans from the 2014 study;
- Comment on the salient trends from 2012 to 2014;
- Review the migration from single pay to installment loan products;
- Catalogue and understand customer demographics and loan characteristics; and
- Comment on these initial customer and loan characteristics metrics.

Additionally, a study was conducted to review and discuss the underwriting techniques of participating lenders, including an analysis of ability to repay.