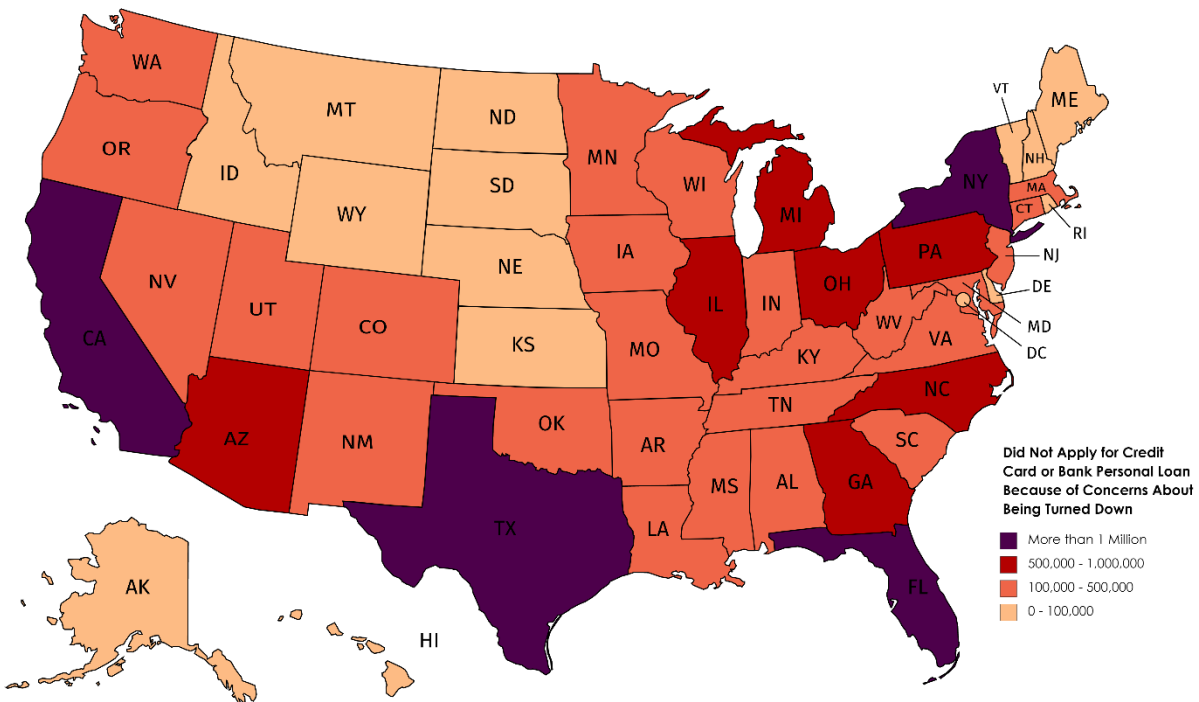


**Millions of People Do Not Apply for Bank Loans Due to Rejection Concerns**

More than 8 million households, representing about 19.5 million people, do not “apply for credit card or bank personal loans because of concerns about being turned down by bank account ownership and household characteristics,” according to the FDIC. These individuals are disproportionately black and Hispanic who have lived through red lining and other policies that have unfairly treated them, and their families, for centuries.

Rather than apply for a loan at a mainstream financial institution, they are more likely to turn to an AFS lender for their credit needs. The map below highlights the number of Americans in each state that do not apply for bank loans due to the fear of being rejected.

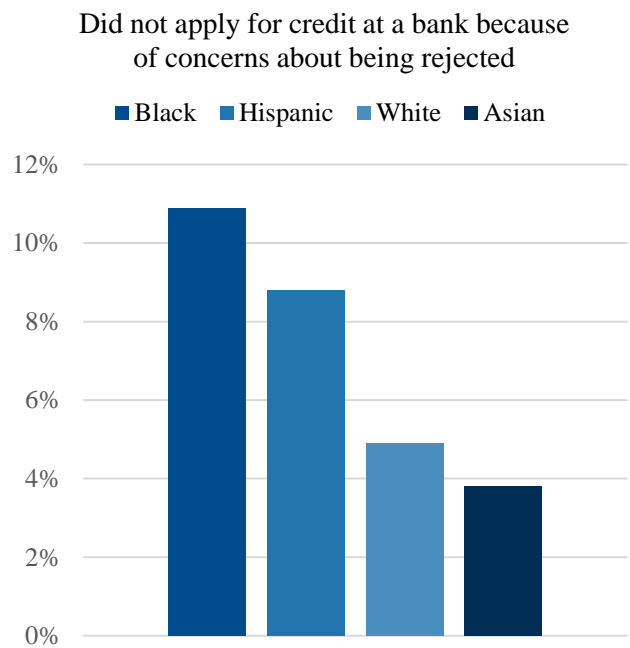
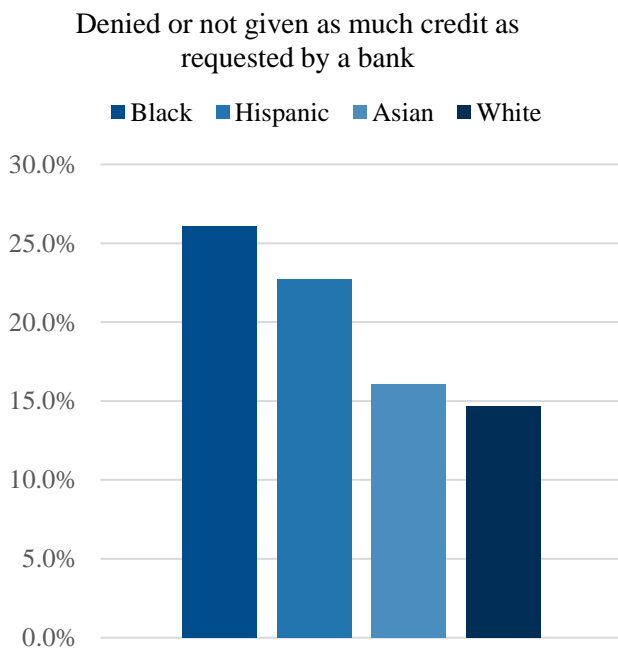


## Minority Groups Rely on AFS Lenders for Credit Needs

Black and Hispanic households have been historically more likely to be denied a loan from a bank or was not given as much credit by the bank as requested. More than a quarter of black households and 22.7 percent of Hispanic households have experienced this very issue.

Thus, it should come as no surprise that black and Hispanic households are more likely to forgo applying for credit at banks altogether. Approximately 10.9 percent of black households and 8.8 percent of Hispanic households do not even apply for credit at banks due to concerns about rejection, which is nearly double that of white and Asian households.

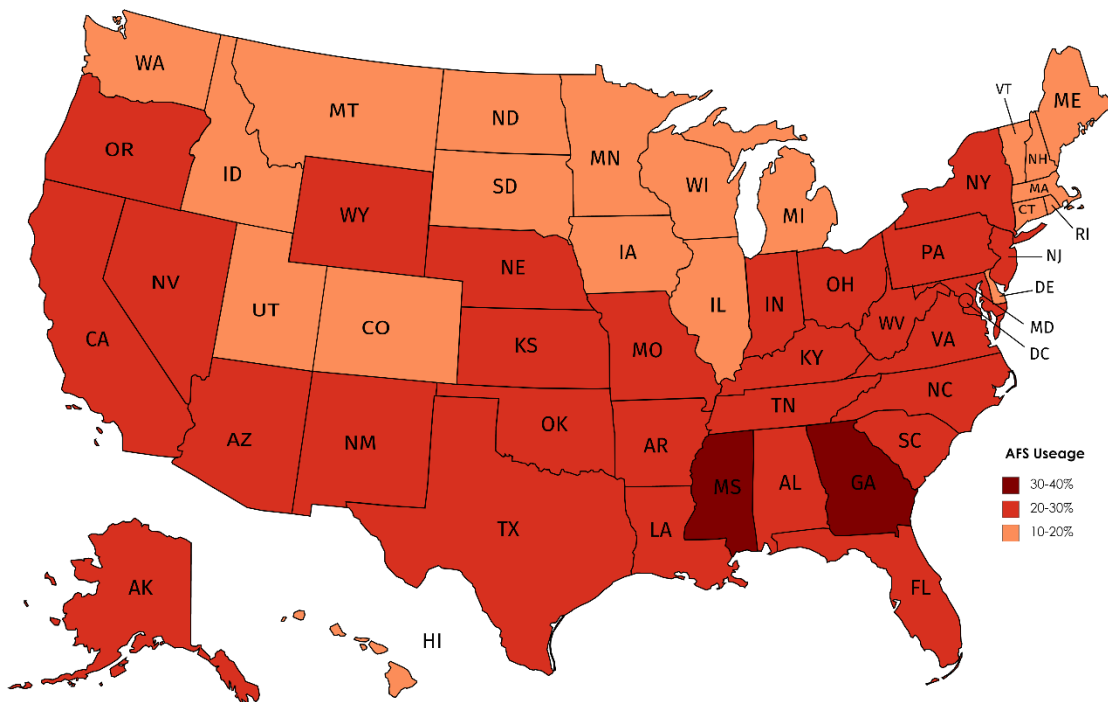
This is why AFS lenders are so important. Mainstream financial institutions have trouble providing credit to nonprime consumers and minority groups. AFS lenders often are the lenders of last resort for these individuals.



## Millions of People Use Alternative Financial Service Products

More than 28.5 million households, representing about 68.4 million people, use Alternative Financial Services (AFS). The vast majority of these individuals, more than 84 percent, have savings or checking accounts at mainstream financial institutions, like banks and credit unions, yet they utilize alternative financial services to access small-dollar loans.

Interest rate caps threaten credit access for the millions of individuals using AFS products. The map below highlights the share of each state's population that utilize AFS products and would struggle to obtain credit under a 36% rate cap.





## CHARTS AND TABLES

### **Estimated Cost to Households Due to Rate Caps**

The cost of rate caps is extraordinary. When states impose rate caps, lenders offering amortized installment loans leave the State, leaving the unbanked and underbanked households to use inferior credit products, like pawn loans or overdraft fees. This costs consumers millions of dollars per year in additional fees.

The chart below represents the added cost for consumers using installment loans who must shift from installment loans to pawn loans when rate caps are implemented. This is a rather conservative figure since many consumers will also shift to overdraft fees, with average APRs of 17,000 percent, or late bill payments, which are arguably even more expensive.

## Estimated Cost to Households Due to Rate Caps

