

# NEWS RELEASE

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**JOSEPH A. SMITH, JR.**  
**COMMISSIONER OF BANKS**

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**N.C. Commissioner of Banks and UNC Study Finds Working Families Do Not Miss  
Payday Lending**

*Consumers use variety of options to manage financial distress*

CHAPEL HILL— North Carolinians have not missed payday lending since the stores shut down last year, according to a study released today by the N.C. Office of the Commissioner of Banks (NCCOB). NCCOB commissioned the study from UNC's Center for Community Capital (the "Center") to look at how low- and moderate-income households have managed financial hardships since payday lending ended in the state, and their attitudes toward the available options to manage those hardships.

Three-quarters of low- and middle-income people were unaffected by the ban on payday lending, according to the survey. Of those people that were affected by the end of storefront payday lending, more than twice as many reported that the absence of payday lenders had a positive impact on their lives, according to the study. This finding also held true for former payday loan borrowers.

"Hard-working North Carolinians have not missed payday lenders," said Mark Pearce, Deputy Commissioner of Banks. "This study shows that people have many options to get through financial distress."

The study, "North Carolina Consumers After Payday Lending: Attitudes and Experiences with Credit Options" found that most households used three or more options to get through a financial emergency, including paying bills late, using savings, borrowing from family and friends, and getting advances on a credit card.

In addition, the survey found that almost nine out of ten low- and middle-income respondents thought payday lending was a bad thing. This overwhelmingly negative perception was consistent even for households that had experienced a recent financial shortfall.

In 2001, North Carolina became the first state to close down the payday lending industry when the General Assembly allowed the expiration of 1997 legislation authorizing the practice. Payday lenders remained in the state after the ban through partnerships with out-of-state banks; however, in December 2005, the Commissioner of Banks found that Advance America, the state's largest payday lender, was required to obtain a license under the Consumer Finance Act, which limits interest charged to no more than 36%. After that ruling, payday lenders shuttered their storefronts through agreements with NCCOB and the N.C. Attorney General's office.

The Center surveyed 400 low- and middle-income working North Carolinians about financial shortfalls faced by their households and how they managed these shortfalls. The Center then held focus groups of former payday borrowers to gain an understanding of their experiences with payday lending and the impact of payday lending de-authorization on their ability to manage financial shortfalls.

The majority of focus group participants report that they initially took out payday loans because they experienced some type of financial shock – an unexpected loss of income or extra expenses, such as job losses and medical expenses. The predominant reason given for turning to payday loans was that they were quick and easy to obtain.

Among frequent borrowers, most reported that the payday loan did not resolve, but merely delayed, the financial problem that caused them to take out the loan initially. All focus group participants said they had expected to repay their initial loan within two weeks; however, more than half of them said they rolled over the initial loan several times. Some reported taking up to a year to pay it off.

Center researchers concluded that the absence of payday lending has had no significant negative impact on credit availability for North Carolina consumers.

A copy of the full report may be downloaded at [www.nccob.org](http://www.nccob.org) (click on “NC Consumers After Payday Lending”). The study and additional research on payday lending may be found at [www.ccc.unc.edu](http://www.ccc.unc.edu). NCCOB currently regulates state-chartered banks, thrifts, savings and loans, trust companies, and more than 1,600 mortgage lenders/brokers and 15,000 loan officers, as well as numerous consumer finance companies, check-cashers, and other financial services.

The UNC Center for Community Capital is the leading center for research and policy analysis on the transformative power of capital on households and communities in the United States. The Center’s in-depth analyses help policymakers, advocates and the private sector find sustainable ways to expand economic opportunity to more people, more effectively. For more information, visit [www.ccc.unc.edu](http://www.ccc.unc.edu).

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