

UPDATE: COVID-19 IMPACT STUDY ON SMALL-DOLLAR LENDING

OCTOBER 22, 2020

INTRODUCTION

Consumer access to small-dollar loans was determined by the U.S. Treasury to be an essential service during the COVID-19 pandemic. Licensed small-dollar lenders have largely remained operational to provide these essential services. We have received several inquiries about how the current public health crisis has impacted transaction activity for payday loans (aka short-term loan, small-dollar loan, deferred presentment loan, deferred deposit loan, etc.). This report provides an overview of actual payday loan activity collected in real-time across multiple States since the onset of the pandemic in early 2020.

Veritec is uniquely qualified to provide this summary report of data which demonstrates the impact of the current health crisis on payday loan activity. We collect real-time information on small-dollar lending activity from all lenders licensed under state regulatory programs that we support. Information contained in this report is based on consolidated data from seven states representing over 2.4 million payday loans conducted in these jurisdictions between February 2020 and October 2020.¹ Each respective regulatory agency provided permission for use of confidential state data to be included in the aggregate information in this report.

TRANSACTION ACTIVITY SINCE ONSET OF THE COVID-19 PANDEMIC

Payday lending transaction volume trended downward in the two years prior to the COVID-19 pandemic by an average of approximately 5.0% annually. The first significant signs of the COVID-19 pandemic impact on payday loan transaction activity appeared in March 2020 as illustrated in Figure 1 - Percentage Change in 2020 Weekly Activity below.²

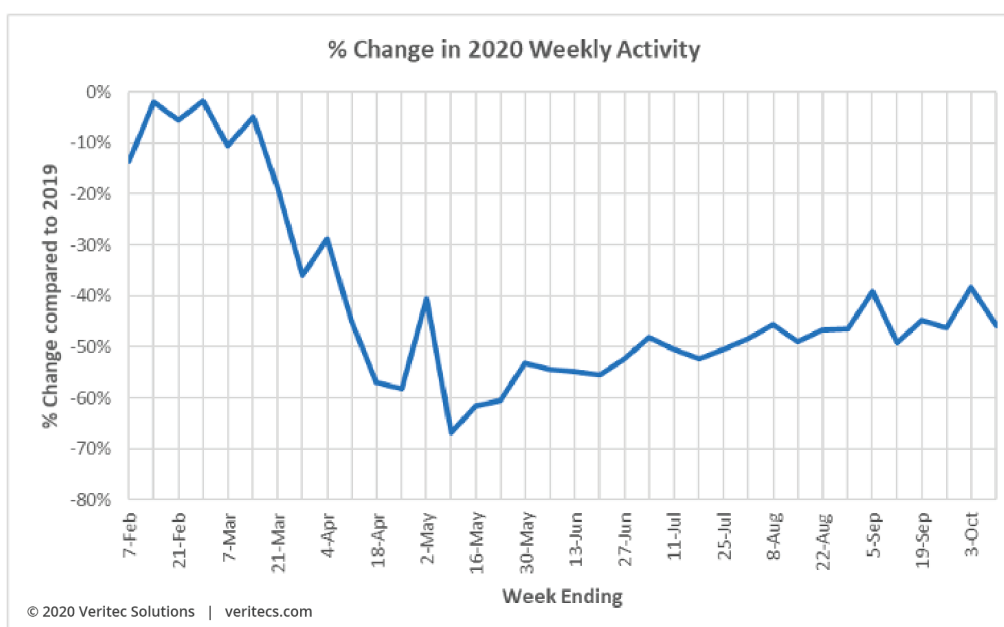


Figure 1 - % Change in 2020 Weekly Activity

Figure 1 illustrates the change in weekly payday loan transaction activity between February 1, 2020 and October 10, 2020 when compared to the same week in 2019.

Transaction activity shows a decline of roughly 20% for the week ending March 21. Transaction activity progressively trended downward between the week ending March 14 and early May 2020 when compared to the same periods in 2019. Transaction activity has continued to fluctuate, with a slight positive trend since mid-May, to a reduction of 46% for the week ending October 10 when compared to the same periods from 2019. We continue to look for a positive trend as restrictions ease; however, we are not able to provide an accurate forecast at the current time.

¹ Consolidated regulatory data from all transaction activity in the following state jurisdictions is included in this report: AL, IN, MI, ND, WA, KY and WI.

² February 29 was removed from 2020 volumes to eliminate leap year impact.

Variations in the consolidated information are illustrated in Figure 2 - % Change in 2020 Weekly Activity with Minimum and Maximum below:^{2,3}

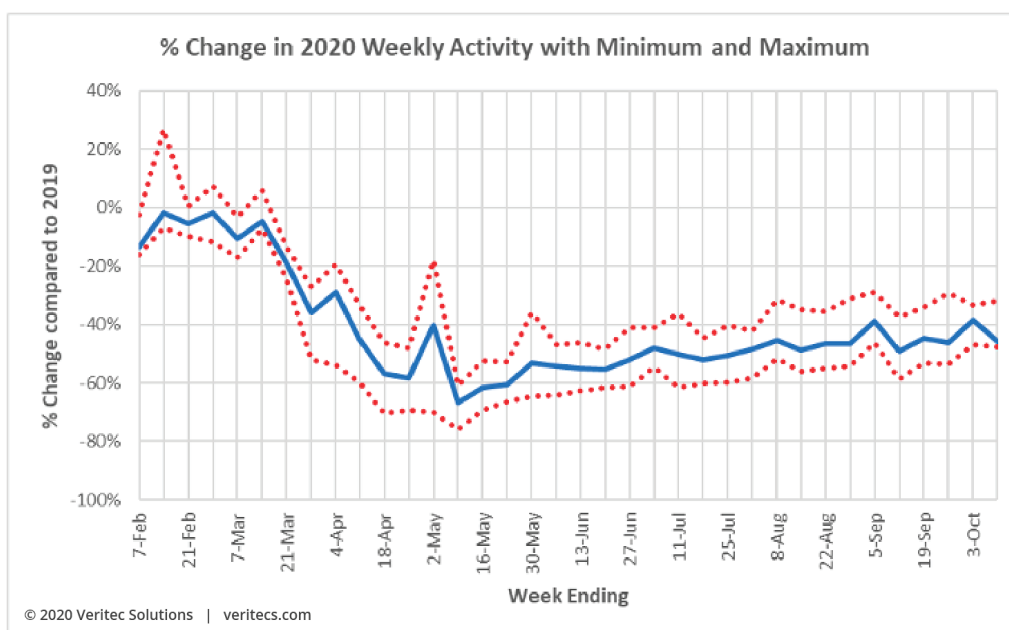


Figure 2 - % Change in 2020 Weekly Activity with Minimum and Maximum

Figure 2 illustrates the variation in percentage change for each weekly period among all participating state jurisdictions. For example, the smallest and largest individual percentage change among all participating state jurisdictions for the week ending March 28, 2020 was -27% and -52%, respectively.

This summary report is intended to provide a snapshot of information collected to date in 2020 that may be of general interest to the participating state regulatory agencies and the general public. You can access this study online at <https://www.veritecs.com/update-covid-19-impact-study-on-small-dollar-lending/>. Questions or comments about this report's content, along with any suggestions for future reporting on this topic, may be directed to John Greenwald, Chief Operating Officer (John.Greenwald@Veritecs.com).

BACKGROUND

Veritec Solutions LLC sets the standard for real-time technology solutions that provide regulators the tools they need to protect consumers and promote healthy markets for regulated industries. We are the leader in real-time support for multiple states that require a statewide database to provide instant enforcement of statutory consumer protections for small dollar loans. Veritec helps state agencies regulate small-dollar lending statutes through management of these programs. Veritec does not supply goods or services to the lending industry—our primary customers are state regulatory agencies. Veritec has supported state agencies with customized regulatory programs for over 18 years.

³ Minimum and maximum values represent the lowest and highest respective % change in transaction activity for each weekly period among all participating jurisdictions.