UPDATE: COVID-19 IMPACT STUDY ON SMALL-DOLLAR LENDING
JUNE 3, 2021

INTRODUCTION

This is an updated version of the report released in October 2020. Key updates included in this edition are as follows:

- *Additional states (FL and IL) are included in the aggregated information as noted below.*
- *Aggregated historical information about payday loan activity from 2015 through 2019 is provided for additional perspective on trends for "single-payment" payday loans.*

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 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 nine states representing over 7 million "single-payment" payday loans conducted in these jurisdictions between January 29, 2020 and June 3, 2021. Each respective regulatory agency provided permission for use of confidential state data to be included in the aggregate information in this report.[1 2]

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 (refer to Historical Information section below). 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 Weekly Activity below.[3]

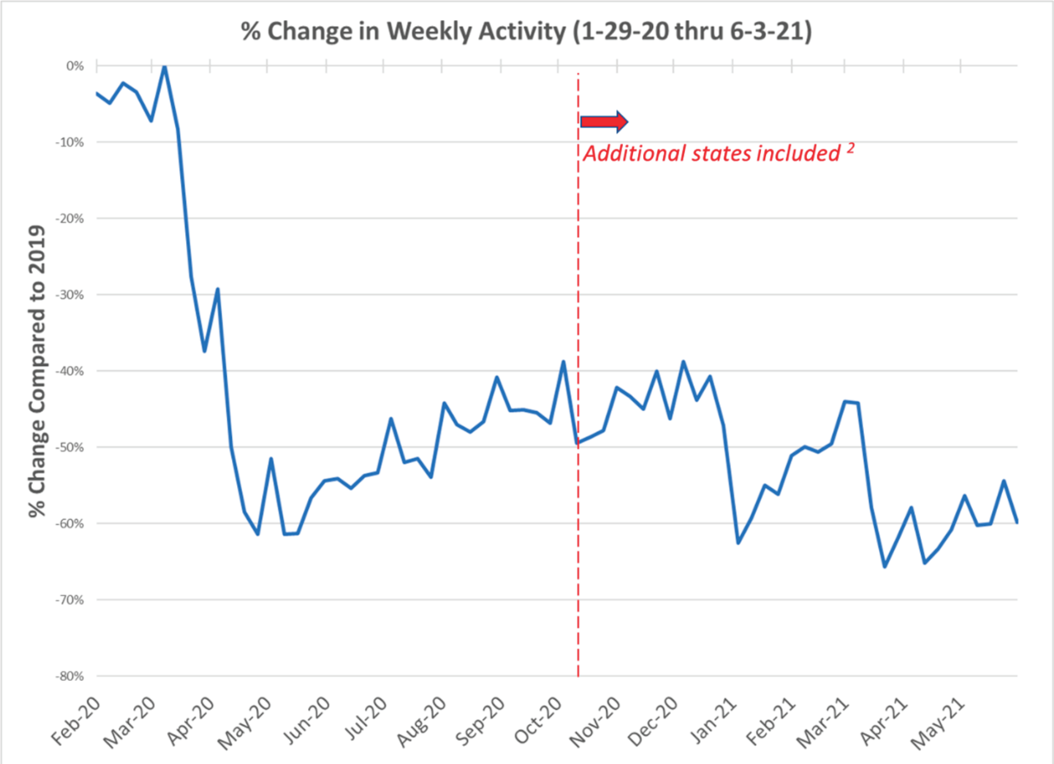

Figure 1 - Percentage Change in Weekly Activity (1-29-20 through 6-3-21)

[1] Consolidated regulatory data from all transaction activity in the following state jurisdictions is included in this report for the period between January 29, 2020 and June 3, 2021: AL, IN, MI, ND, WA, KY, and WI.
[2] Consolidated regulatory data from all "single payment" payday loan transaction activity for FL and IL was added to this report for the period between November 26, 2020 and June 3, 2021.
[3] Feb 29 was removed from 2020 volumes to eliminate leap year impact.

Figure 1 illustrates the change in weekly payday loan transaction activity between January 29, 2020 and June 3, 2021 when compared to the same week in 2019. Note that the 2019 calendar year is used as the benchmark in this report for comparison of weekly transaction activity during the reporting period.

Transaction activity shows a decline of roughly 61% for the week ending April 22, 2020 when compared to the same period in 2019. Transaction activity showed some recovery between the week ending May 20, 2020 and the week ending December 9, 2020 to a level of roughly 39% below the same period in 2019; this brief recovery was followed by a sharp decline between December 9, 2020 and January 7, 2021 to a level of roughly 63% below the same period in 2019. Activity rebounded between January 7, 2021 through March 11, 2021 and then declined again in April 2021 to a level of roughly 65% below the same period in 2019.

The three major periods of decline shown in April 2020, December 2020/January 2021, and March 2021 coincide with the three federal Economic Impact Payments issued in response to the COVID-19 pandemic, suggesting an inverse correlation between payday loan transaction activity and direct stimulus payments to eligible households. We expect to see a positive trend as restrictions ease and overall employment increases; however, we are unable to provide an accurate forecast at the current time.

Variations in the aggregated information are illustrated in Figure 2 - % Change in 2020 Weekly Activity with Minimum and Maximum below: [2] [3] [4]

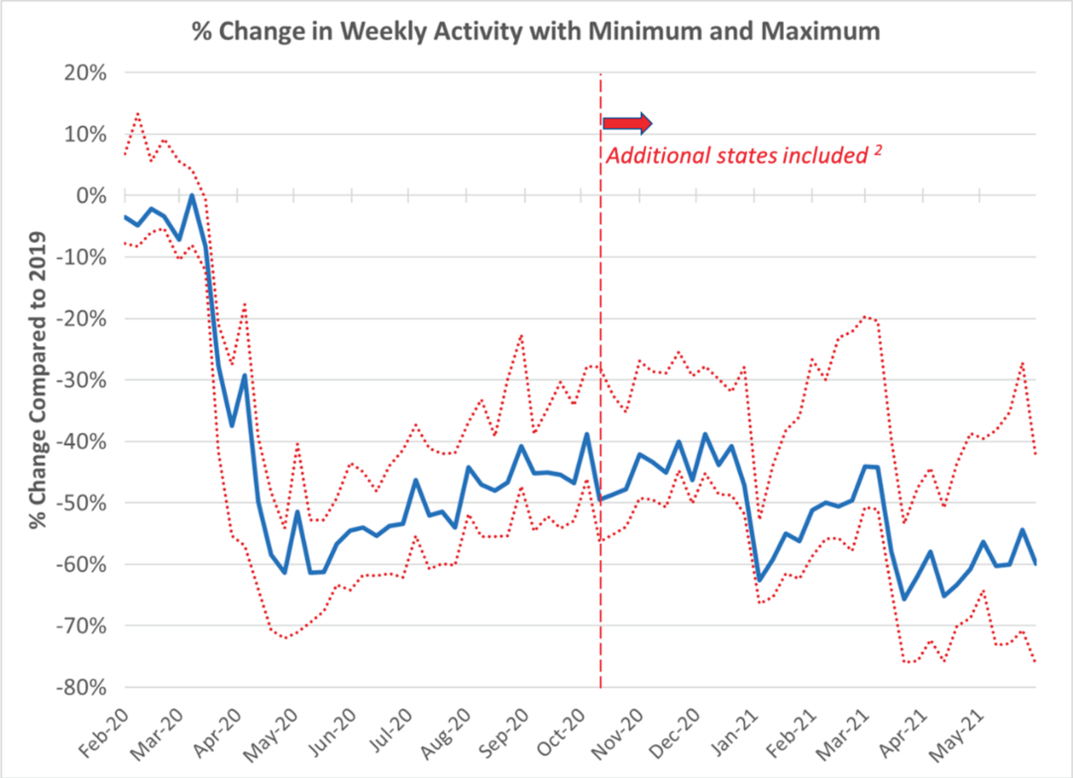

Figure 2 - % Change in 2020 Weekly Activity with Minimum and Maximum

Figure 2 illustrates the variation in % change for each weekly period among all participating state jurisdictions. For example, the smallest and largest individual % change among all participating state jurisdictions for the week ending July 15, 2020 was -41% and -61%, respectively.

This summary report is intended to provide a snapshot of aggregated information collected during the reporting period that may be of interest to participating state regulatory agencies and the public. You can access this study online at https://www.veritecs.com/2021-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).

[4] Minimum and Maximum values represent the lowest and highest respective % change in transaction activity for each weekly period among all participating jurisdictions.

HISTORICAL INFORMATION

Payday lending transaction activity trended downward in the years leading up to the COVID-19 pandemic by an average of approximately 5.0% annually as illustrated in Figure 3 - % Change in Quarterly Activity (2015 – 2019) below.[5]

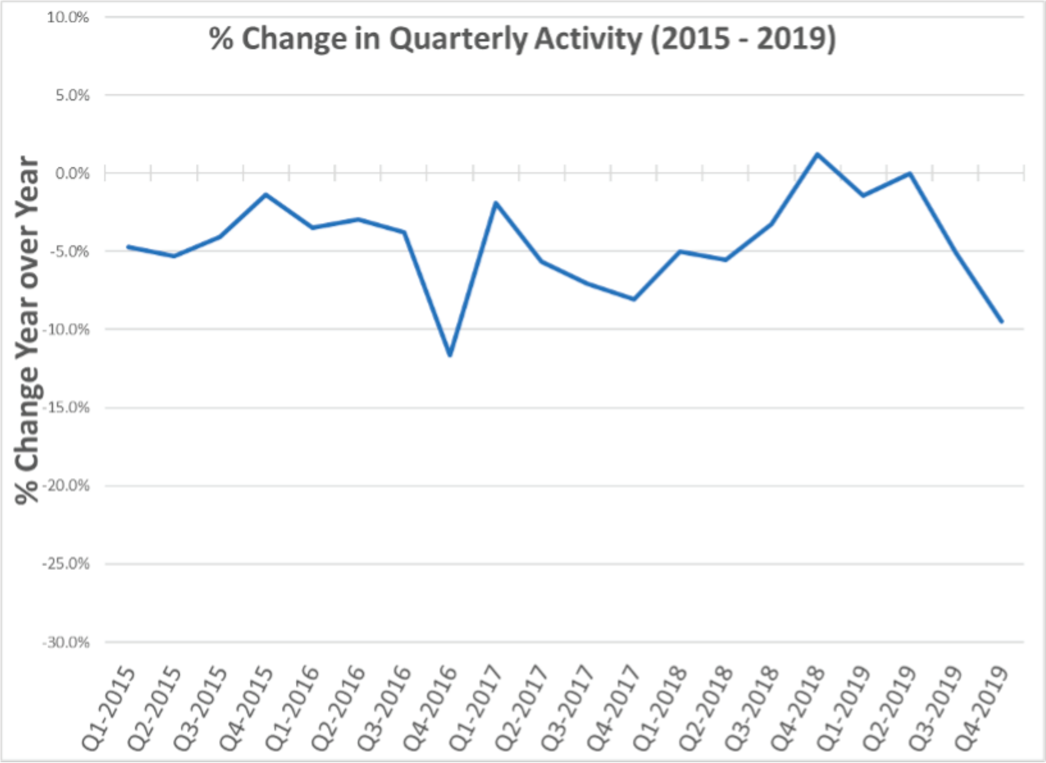

Figure 3 - % Change in Quarterly Activity (2015 -2019)

BACKGROUND

Veritec Solutions, LLC sets the standard for real-time technology solutions that provide regulators with 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.

[5] Consolidated regulatory data from all transaction activity in the following state jurisdictions is included in this report for the period between January 1, 2015 and December 31, 2019: IN, IL, ND, WA, KY, and WI. Regulatory data from the following states is subject to archiving requirements and is included starting on the dates indicated: AL (Q4 2015), FL (Q2 2016) and MI (Q3 2018).

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Questions: contact@veritecs.com

6735 Southpoint Drive South, Suite 300
Jacksonville, FL 32216