UPDATE: COVID-19 IMPACT STUDY ON SMALL-DOLLAR LENDING
April 2022

INTRODUCTION

This is an updated version of the report initially released on July 23, 2020 and followed by updates on October 22, 2020 and June 18, 2021. In this report, we removed all Illinois data due to legislative updates effective in March 2021.

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 ongoing 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 is fourth in a series of Veritec publications that provide an overview of actual payday loan activity collected in real-time across multiple states since the onset of the pandemic in early 2020.

Veritec collects 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 eight participating states representing over 15 million "single-payment" payday loans conducted in these jurisdictions between January 29, 2020 and March 31, 2022. Each respective regulatory agency provided permission for use of confidential state data (without personal identifiable information) 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% 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 Weekly Activity with Minimum and Maximum below. [3]

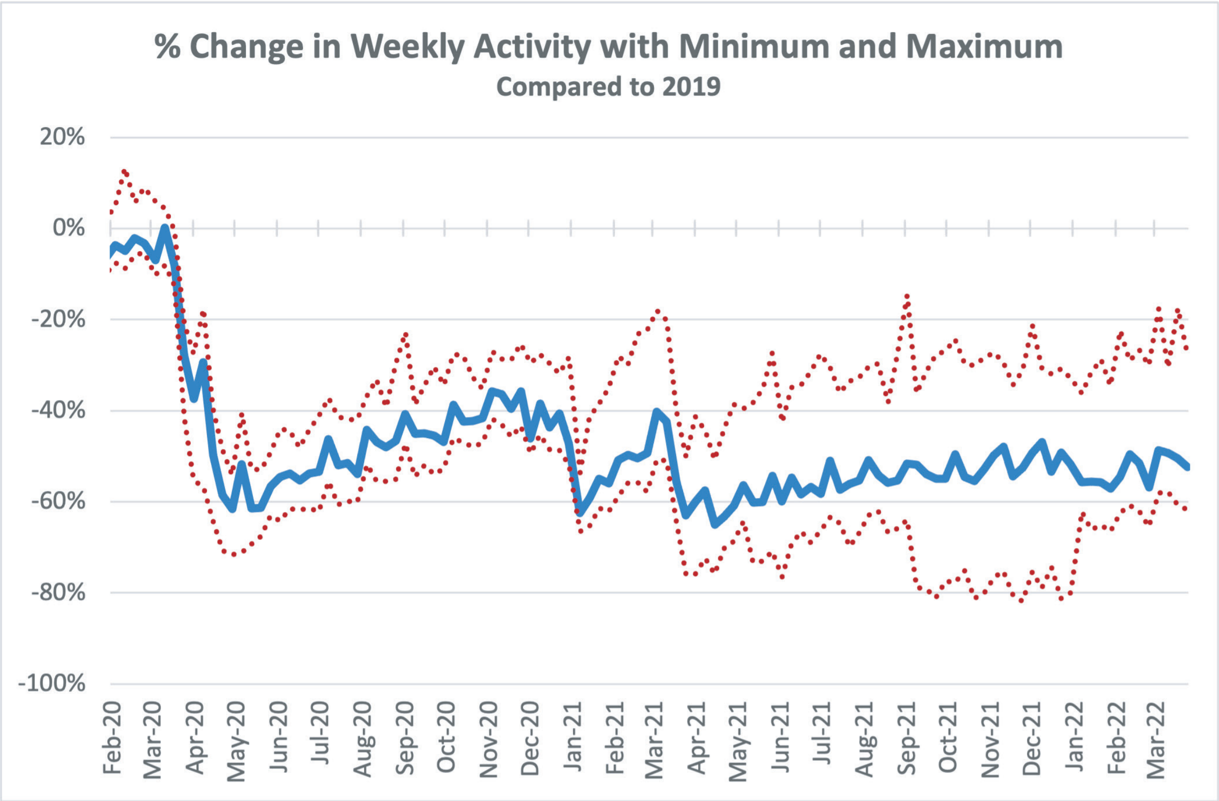

Figure 1 - % Change in 2020 Weekly Activity with Minimum and Maximum

[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 March 31, 2022: Alabama, Indiana, Michigan, North Dakota, Washington, Kentucky and Wisconsin.

[2] Consolidated regulatory data from all "single payment" payday loan transaction activity for Florida was added to this report for the period between November 26, 2020 and March 31, 2022. Illinois was subsequently removed entirely due to legislative actions in March 2021.

[3] February 29, 2020 was removed from 2020 volumes to eliminate leap year impact.

The graph illustrates the change in weekly payday loan transaction activity between January 29, 2020 and March 31, 2022 when compared to the corresponding weeks 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. It further 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.

As referenced in prior reports, transaction activity showed significant declines for multiple reasons, including a variety of government stimulus payments and other related factors, resulting in a drop in transaction volume of over 60%. Since the last report we released on June 18, 2021, transaction volume has recovered slightly, hovering around 50% of 2019's volume. In 2022, we continue to look for positive trends as restrictions ease and overall employment increases; however, we are unable to provide an accurate forecast at the current time.

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/update-covid-19-impact-study-on-small-dollar-lending-2/. Questions or comments about the content of this report may be directed to John Barnes, Vice President of Government Relations, at john.barnes@veritecs.com along with any suggestions for future reporting on this topic.

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.