



Payday Loans in South Carolina: What Credit Counselors Say

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Background According to South Carolina law, a payday lender can advance money – up to \$300 – to borrowers for a fee of no more than \$15 per \$100 borrowed for a period not to exceed 31 days. The borrower provides the lender a check dated on the date the check was written and the lender holds the check for a period of time as agreed to in a written contract before presenting it to the borrower’s bank. The lender cannot renew or “flip” the loan with the borrower.

In the last five years, the number of payday lenders in South Carolina has doubled to 700 statewide (Ruoff, 2005), and their revenues increased by more than \$30 million from 2001 to 2003 (South Carolina ALJC, 2004). AARP South Carolina wanted to explore how payday loans are affecting borrowers in South Carolina. AARP South Carolina decided to conduct a survey that would examine credit counselors’ experiences with clients who have payday loans and their professional opinions about payday lending in South Carolina.¹

The survey was sent by email on January 18, 2005 to three organizations that agreed to participate. The participating organizations were: Family Services, Inc., Consumer Credit Counseling Division; Department of the Army, Army Community Services; and Compass Carolina. These organizations are accredited by the National Foundation for Credit Counseling. Across these organizations, 13 credit counselors were invited to participate.² Thirteen credit counselors responded. Eleven counselors had three or more years of experience as a credit counselor in South Carolina, with five having between three and five years experience and six having five or more years. One counselor had less than three years of experience.

Key Findings Credit counselors responding to this survey have experience with payday loan consumers. One out of four of their clients reported that payday loans were a part of their credit problems. Clients who have told the counselors that the payday loans were part of their credit problems usually had more than one loan at a time. Clients are also telling the counselors about threats payday lenders have made such as jail time and garnished wages for not repaying their loans. Professionally, the credit counselors believe that these loans are a major problem for these clients. In addition, the credit counselors believe that over the past three years payday loans have contributed more frequently to credit problems.

¹ A copy of the questionnaire is appended to this summary.

² Each organization was asked to have all of its credit counselors complete the survey individually. Not every organization was able to do so. For one organization, one counselor reported the client information for the entire organization. No other counselors from that organization responded.

Detailed Findings

Clients with Credit Problems In the past 12 months, credit counselors responding to the survey served between 100 and nearly 3,000 clients.³ These credit counselors served roughly 8,100 clients with credit problems over the past 12 months. Their clients were in 30 out of 46 South Carolina counties.

Clients with Payday Loans All counselors were aware of payday lenders operating in the area where they serve clients. All credit counselors said that their clients had payday loans. A majority (9 in 13) said that one to 20 percent of their clients in the past 12 months had payday loans. Two said 21 to 40 percent, and two said 41 to 60 percent of their clients in the past 12 months had payday loans.

Clients Who Say Payday Loans Were Part of Credit Problems Just one credit counselor said that their clients in the past 12 months did not tell them that payday loans were a part of their credit problems. With just over 8,000 clients served in the past year, one in four of all of the clients served by these counselors said payday loans were a part of their credit problems. All of the credit counselors said that in their professional opinion payday loans were a major problem for those who said that payday loans were part of their credit problems. All of the credit counselors said that clients who told them that payday loans were a part of their credit problems usually had multiple payday loans at one time.

Nine counselors said that between one and 20 percent of their clients in the past year who told them that payday loans were part of their credit problems were age 50 or older while two counselors said that 41 to 60 percent of their clients were age 50 or older. One reported having no 50+ clients in the past year who told them that payday loans were part of their credit problems, and another did not respond.

Eight counselors did not have any clients in the military in the past year who told them that payday loans were a part of their credit problems. Three said that between one and 20 percent of their clients were in the military. Two counselors said that 81 to 100 percent of their clients were in the military.

Payday Loans Contribute to Credit Problems All 13 counselors said that they think payday loans have contributed to credit problems more frequently over the past three years.

What Payday Lenders Say to Clients Nine credit counselors said that payday lenders told their clients that they would go to jail for writing a check with insufficient funds. Six credit counselors said that payday lenders told their clients that their wages would be garnished if they could not repay their loans. Three counselors were told that

³ This range reflects the fact that one counselor responded for the entire organization. The total number of clients served is for 12 counselors and 1 organization.

the payday lender said they would contact the client's employer. Two counselors said that payday lenders told their clients that they would contact the clients' Commanding Officer. Other payday lender comments shared with counselors included the clients' credit would be ruined, the clients' loan would be sent to a collection agency, the clients were told to pay the interest and rewrite a check, the clients were verbally abused, and the clients were told they would be sued.

Reference

Ruoff, John. (2005). [South Carolina State Board of Financial Institutions' Payday Lender Database]. Compilation of data.

South Carolina Appleseed Legal Justice Center. (2004). *Growth of Pay Day Lending Industry from September 1, 2000 to August 31, 2003*. Columbia, SC: South Carolina Appleseed Legal Justice Center.

Questionnaire

2005 South Carolina Credit Counselor Survey

Please complete this survey based on your experience and opinion not for your organization.

1. In the past 12 months, about how many clients have you served with credit problems in South Carolina?

[Type in your best estimate]

2. A payday lender advances money – up to \$300 – to borrowers for a fee of no more than \$15 per \$100 borrowed for a period not to exceed 31 days. The borrower provides the lender a check dated on the date the check was written and the lender holds the check for a period of time as agreed to in a written contract before presentment to the borrower’s bank. According to South Carolina law, the lender cannot renew or “flip” the loan with the borrower.

Are you aware of any payday lenders operating in the area where you serve clients in South Carolina? Click only one.

- Yes
 No

3. In the past 12 months, what percentage of your clients in South Carolina stated that they had payday loans? Click only one.

- 0% → GO TO QUESTION 9
 1%– 20%
 21 – 40%
 41 – 60%
 61 – 80%
 81 – 100%

4. In the past 12 months, about how many of your clients in South Carolina told you that payday loans were a part of their credit problems?

[Type in your best estimate]

5. Think about your clients in South Carolina in the past 12 months who told you that payday loans were a part of their credit problems. In your professional opinion, how much of a problem would you say payday loans were for them? Click only one.

- Major problem
- Minor problem
- Not at all a problem

6. In the past 12 months, what percentage of your clients in South Carolina who told you that payday loans were a part of their credit problems were age 50 or older? Click only one.

- 0%
- 1 – 20%
- 21 – 40%
- 41 – 60%
- 61 – 80%
- 81 – 100%

7. In the past 12 months, what percentage of your clients in South Carolina who told you that payday loans were a part of their credit problems were military personnel or had a spouse in the military? Click only one.

- 0%
- 1 – 20%
- 21 – 40%
- 41 – 60%
- 61 – 80%
- 81 – 100%

8. In the past 12 months, did your clients in South Carolina who told you that payday loans were a part of their credit problems usually have one payday loan or more than one payday loan at a time? Click only one.

- Usually had 1 payday loan at a time
- Usually had multiple payday loans at a time
- Don't know

9. Over the past three years do you think payday loans have contributed to credit problems more frequently, less frequently, or about the same in South Carolina? Click only one.

- More frequently
- Less frequently
- About the same

10. Have your clients in South Carolina ever told you that payday lenders said any of the following if they could not repay their payday loans? Click all that apply.

- The client will go to jail for writing a check with insufficient funds
- The client's wages will be garnished
- The payday lender will contact the client's employer to complain
- If the client is in the military, the payday lender will contact the client's Commanding officer
- None of the above

11. What else, if anything, have payday lenders said when your clients in South Carolina could not repay their payday loans? Type in your answer.

The last few questions are for classification purposes only.

12. Is your organization a: Click only one.

- Non-profit
- For-profit
- State/local government agency
- Federal government agency
- Other

13. What counties do you serve in South Carolina? Click all that apply.

- | | | |
|---------------------------------------|-------------------------------------|---------------------------------------|
| <input type="checkbox"/> Abbeville | <input type="checkbox"/> Darlington | <input type="checkbox"/> Lee |
| <input type="checkbox"/> Aiken | <input type="checkbox"/> Dillon | <input type="checkbox"/> Lexington |
| <input type="checkbox"/> Allendale | <input type="checkbox"/> Dorchester | <input type="checkbox"/> Marion |
| <input type="checkbox"/> Anderson | <input type="checkbox"/> Edgefield | <input type="checkbox"/> Marlboro |
| <input type="checkbox"/> Bamberg | <input type="checkbox"/> Fairfield | <input type="checkbox"/> McCormick |
| <input type="checkbox"/> Barnwell | <input type="checkbox"/> Florence | <input type="checkbox"/> Newberry |
| <input type="checkbox"/> Beaufort | <input type="checkbox"/> Georgetown | <input type="checkbox"/> Oconee |
| <input type="checkbox"/> Berkeley | <input type="checkbox"/> Greenville | <input type="checkbox"/> Orangeburg |
| <input type="checkbox"/> Calhoun | <input type="checkbox"/> Greenwood | <input type="checkbox"/> Pickens |
| <input type="checkbox"/> Charleston | <input type="checkbox"/> Hampton | <input type="checkbox"/> Richland |
| <input type="checkbox"/> Cherokee | <input type="checkbox"/> Horry | <input type="checkbox"/> Saluda |
| <input type="checkbox"/> Chester | <input type="checkbox"/> Jasper | <input type="checkbox"/> Spartanburg |
| <input type="checkbox"/> Chesterfield | <input type="checkbox"/> Kershaw | <input type="checkbox"/> Sumter |
| <input type="checkbox"/> Clarendon | <input type="checkbox"/> Lancaster | <input type="checkbox"/> Union |
| <input type="checkbox"/> Colleton | <input type="checkbox"/> Laurens | <input type="checkbox"/> Williamsburg |
| | | <input type="checkbox"/> York |

14. How long have you been a consumer credit counselor in South Carolina? Click only one.

- Less than a year
 1 year but less than 3 years
 3 years but less than 5 years
 5 years but less than 10 years
 10 years or more

Thank you for completing this survey.

Please email it to statesurvey@aarps.org January 26, 2005.

If you have any questions or concerns, please contact Rachele Cummins at rcummins@aarps.org or 202-434-6297.

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About AARP AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *AARP Segunda Juventud*, our bimonthly magazine in Spanish and English; *NRTA Live & Learn*, our quarterly newsletter for 50+ educators; and our website, www.aarp.org. AARP Foundation is our affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

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