

## What are the differences among and between U.S. Adults Who Use Payday Loans & Check-Cashing Services and those who do not?

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### Introduction

Approximately 28% of U.S. adults use alternative financial services (AFS) providers to obtain check-cashing services, seek payday advance loans, or both (non-bank financial service users, NBFS) (Zhu et al., 2019). Prior research focused on three categories of AFS users: 1) individuals who utilize payday loans; 2) individuals who utilize check-cashing services; and 3) individuals who utilize both. We described the key demographics of these groups and illustrated how these three groups differ from each other and from the general population. This present work includes an additional level of categorization--willingness to enroll one's accounts in automatic financial transaction data collection (e.g. Mint). Invited participants were selected from the AmeriSpeak<sup>®</sup> panel at NORC at the University of Chicago and were current panelists of AmeriSpeak<sup>®</sup>. Respondents were invited to link their financial accounts to the financial transaction database, where we tracked all of their financial transactions of linked accounts (this service is commonly used by financial advisors).

In our pilot, we invited 921 panelists to participate, and 281 did (about 30%), by linking at least one of their financial accounts. This work reports on the findings from that pilot study, and the full wave of the project which invited the enter panel to participate (the invitation went to approximately 30,000 panelists).

Using the financial transaction data in conjunction with our data on the use of AFS, we regrouped our categories of AFS into four new groups: 1) individuals who utilize either payday loans or check-cashing services at a non-bank institution, and also agree to participate in financial transaction data collection; 2) individuals who use neither payday loans nor check-cashing services at a non-bank institution, but agree to participate in financial transaction data collection; 3) individuals who utilize either payday loans or check-cashing services at a non-bank institution, and do not agree to participate in financial transaction data collection; 4) individuals who utilize neither payday loans nor check-cashing services at a non-bank institution, and do not agree to participate in financial transaction data collection.

### Data

The Financial Well-being and Literacy Survey collected using NORC's mixed-mode, probability based AmeriSpeak<sup>®</sup> Panel, was adopted in this study. AmeriSpeak<sup>®</sup> is the first U.S. multi-client household panel to combine the speed and cost-effectiveness of panel surveys with enhanced representativeness of the U.S. population, an approach designed to achieve an industry-leading response rate. Developed and funded by NORC, AmeriSpeak<sup>®</sup> is the most scientifically rigorous panel solution available in the U.S., giving NORC clients a breakthrough new option for conducting statistical surveys of the population.

Spending data (FINData) are collected on select AmeriSpeak<sup>®</sup> panelists and track transaction level data on all accounts linked by the panelist. Transactions are categorized in to one of 13 expenditure categories.

### Results and Conclusion

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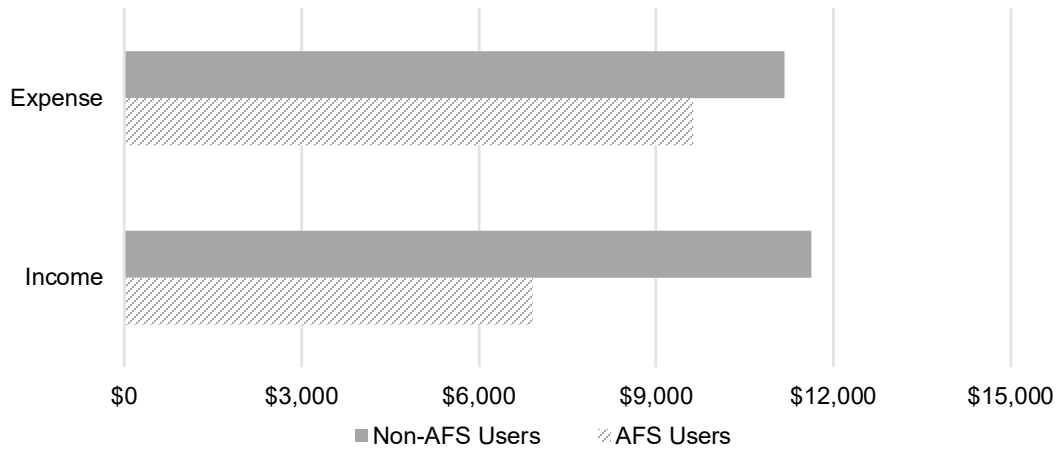
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Approximately 28% of U.S. adults use alternative financial institutions to obtain check-cashing services, seek payday advance loans, or both. Overall, this means that about 1 in 3 American adults do not have adequate access to a quality loan or a check-cashing bank institution. Ensuring that this population enjoys the same access to quality banking institutions for their financial transactions would help protect these NBFS users from the predatory lending practices one so commonly encounters when seeking payday advance loans or check-cashing services outside of traditional banks.

AFS users had similar spending levels but significantly lower income levels than non-AFS users. See Table 1.

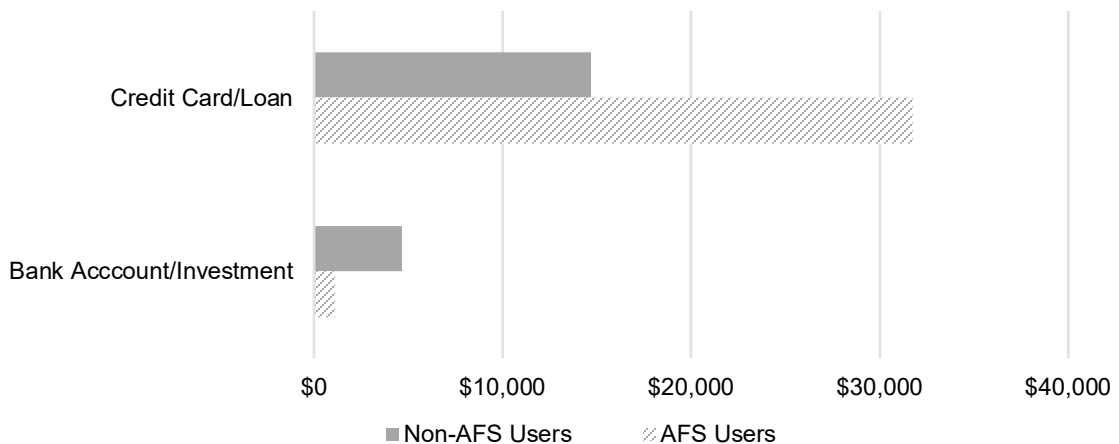
Table 1. AFS Users: Less Income/Similar Expense



(N = 89)

As you can see from Table 2, AFS users have a significantly higher average amount (\$31,748) in debt (credit card balances and loans) than those who do not use AFS (\$14,694). Moreover, AFS users have substantially fewer assets (\$1,099) than non-AFS users (\$4,665).

Table 2. AFS Users: More Debt/Fewer Assets

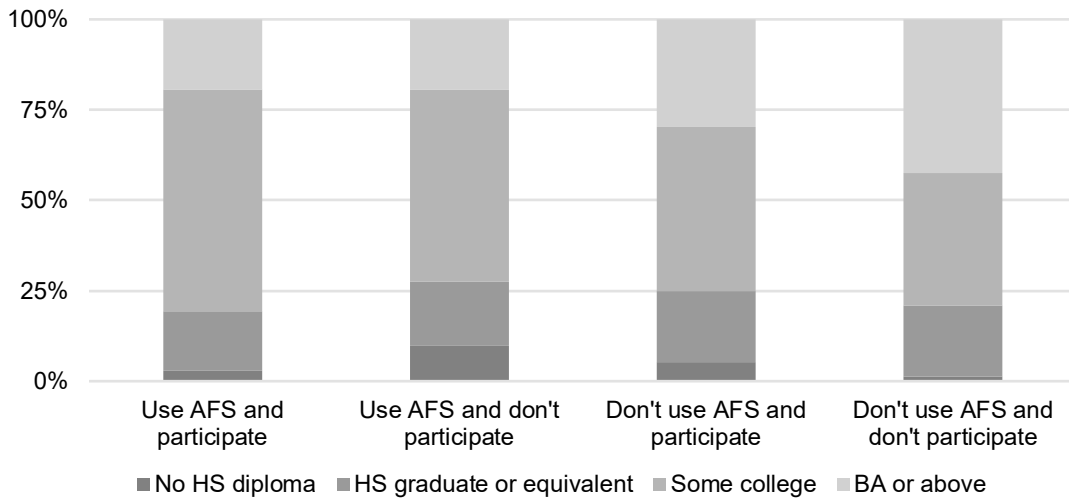


(N = 89)

Compared to non-AFS users, AFS users spent more money on travel, transportation, personal care, medical expenses, loans, insurance, and entertainment and restaurants. Conversely, non AFS users spent more on utilities, bills, housing, and other expenses.

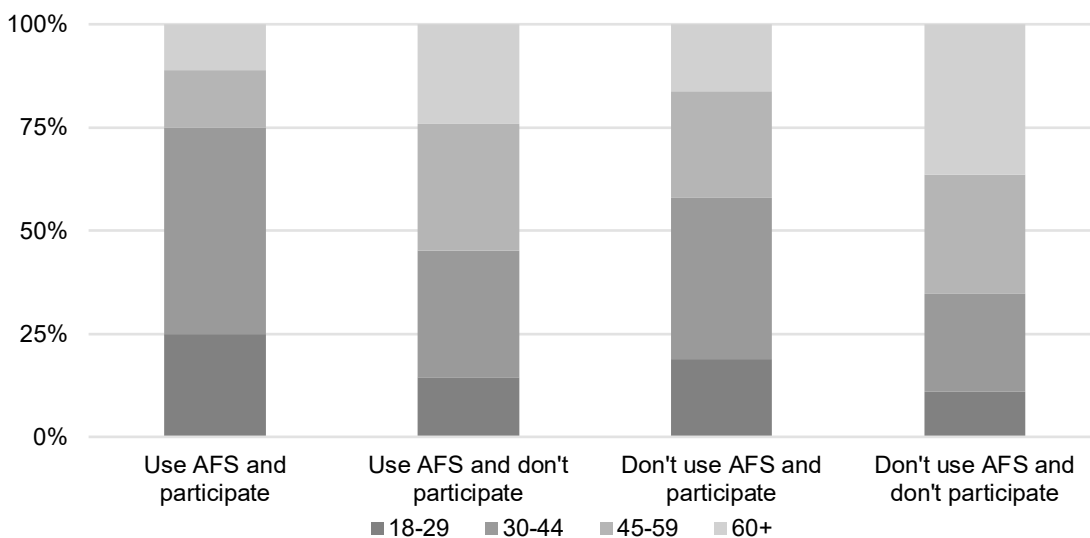
Besides analyzing the automatic transaction data, we also looked at people’s willingness to participate in this automatic financial transaction data collection study among AFS users and non-AFS users. The relative proportion of 30 to 44-year-old users were more likely to enroll in our financial management study (50% of AFS users said they want to participate in this study are from 30 to 44-year-old. And 40% of non-AFS users that tend to participate in the study are at the age range of 30 to 44-year-old). AFS without HS degree tend not to participate in the study (10% use AFS and didn’t enroll vs 3% use AFS and enrolled); non-AFS without HS degree tend to participate (5% none AFS users and enrolled vs 1% none AFS users didn’t enroll). See Table 3 and 4 for Demographic Characteristics of People Tend to Participate in Financial Transaction Data Collection Study.

Table 3. Education Distribution



(N = 921)

Table 4. Age Distribution



(N = 921)