

Abstract

Payday lending volume has increased significantly across the nation in the past twenty years. However, the widespread provision of easy accessibility and high cost credit have been controversial. Proponents argue that the benefit of easily accessible funds to address emergencies far outweighs the cost of the product. Opponents argue that the product is structured to encourage multiple rollovers or multiple loans simultaneously, resulting in excessive borrowing costs. During the summer of 2014, we conducted a questionnaire-based survey to users of payday loans and a location analysis in the metro-Jackson area to investigate payday lending patterns, focusing on socio-economic characteristics of the users, and their motives to use and perceptions of payday loans. We found that payment for unexpected expenses was the main reason for borrowing. However, they did not want to use the service again, if possible. Further, the survey showed the terms of the lending services are not easily understood by the customers. We also examined policies enacted around payday lending to military personnel for possible extension of similar protections to non-military borrowers. We believe that the methodology used in our study could be easily implemented in other areas of the state to provide valuable information for policy makers.