EXHIBIT

3

CENTER FOR RESPONSIBLE LENDING

Race Matters

The Concentration of Payday Lenders in African-American Neighborhoods

CRL Research Abstract

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This report examines the neighborhood impact of payday lending in North Carolina. Previous research has shown that payday loans, though marketed as short-term emergency credit, in fact trap borrowers in high-cost, revolving debt. Although payday lending was banned by North Carolina in 2001, we have identified 385 payday loan stores that continue to operate openly across the state through affiliation with out-of-state banks in an arrangement known as the rent-a-bank model.

Through a series of empirical analyses, the Center for Responsible Lending finds that North Carolina payday lending storefronts are disproportionately located in African-American neighborhoods.

While the payday lending industry frequently describes its typical customer in detail, discussion of the role of race is noticeably absent. This report helps correct that omission. Our analysis of North Carolina neighborhoods reveals a powerful relationship between the proportion of African-Americans and the concentration of payday lending stores:

- African-American neighborhoods have three times as many stores per capita as white neighborhoods. This disparity increases as the proportion of African-Americans in a neighborhood increases.

- This three-fold disparity remains unchanged even when we control for the neighborhood characteristics of income, homeownership, poverty, unemployment rate, urban location, age, education, share of households with children, and gender.

These findings raise troubling questions about whether these payday lenders are in compliance with federal and state fair lending laws. The Equal Credit Opportunity Act protects minority communities from discriminatory practices in the credit market. Predatory lending in protected communities may constitute discrimination — not because it excludes minorities, but because it targets and exploits them by offering loans with abusive terms and conditions. Since North Carolina has prohibited payday loans, an implicit recognition that the product is abusive, our research suggests that some payday lenders operating in North Carolina may be violating anti-discrimination laws.

Further research is needed to determine whether the disparate impact found here in North Carolina also occurs in other states, especially those where payday lenders have partnered with banks in an attempt to evade the state's legal restrictions on payday lending.

State and federal policymakers should take steps to end predatory payday lending, as it traps borrowers in a cycle of debt and has a disparate impact on neighborhoods historically disadvantaged by unfair lending practices.

Statistical Analysis of Payday Loan Customer

Characteristic of Payday Loan Customer:	Payday Industry Guided Research Statistics:	Academic/Consumer Advocacy Research Statistics:
1. Average Income Per Household	*Payday advance customers are the heart of America's working middle-class. Median income of customers is **$36,054**. (Community Financial Services of America, Industry Analysis, 2001) *Average household income - **$40,594**. (Georgetown University National Study, 2001) *Majority of customers' annual income **between $25,000 and $40,000.** (IOData Corporation Cumulative State Report, 2002)	*Median annual income of borrowers surveyed in Illinois **$23,690** and 19% of borrowers earned less than $15,000. (Sarah Vega – Director, Illinois Department of Financial Institutions, 2000) *Average annual net income – **$18,675**, Average annual gross income - **$24,673**. (Wisconsin Department of Financial Institutions, 2000) *Average income **$23,690**. (Woodstock Institute – Reinvestment Alert, 2004) *Average income **$26,573**. (Robert Mayer, Payday Lending in Milwaukee, 2005)
2. Average age/sex of Customer	***Median Age 35.** (Community Financial Services of America, Industry Analysis, 2001) ***68% of customers 44 years old or younger**. (Georgetown University National Study, 2001) ***71% of customers 44 years old or younger**. (IOData Corporation Cumulative State Report, 2002)	***62%** of borrowed surveyed in Illinois were **female**. (Sarah Vega - Director, Illinois Department of Financial Institutions, 2000) ***Average age, 39; 54% Female**. (Wisconsin Department of Financial Institutions Review of Payday Lending, 2001)
3. Percentage of Customers Married	**52% Married** (Community Financial Services of America, Industry Analysis, 2001)	***30% Married** (Robert Mayer, Payday Lending in Milwaukee, 2005)
4. Percentage of Customers with Children	**40% with children** (Community Financial Services of America, Industry Analysis, 2001)	***45% single mothers**. (Robert Mayer, Payday Lending in Milwaukee, 2005)
4. Percentage of Customers Attended College	***27% Attended College** (Community Financial Services of America, Industry Analysis, 2001) ***55% Attended Some College** (IOData Corporation Cumulative State Report, 2002) ***56% Attended Some College** (Georgetown University National Study, 2001)	***24.5% Attended College** (Center for Community Capitalism, North Caroline Survey, 2001)

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5. Percentage of Customers homeowners or renters	***60% owners of property** (Community Financial Services of America, Industry Analysis, 2001) ***42% of customers homeowners** (Georgetown University National Study, 2001) ***34% of customers homeowners** (IOData Corporation Cumulative State Report, 2002).	*(**64%** of customers surveyed in Wisconsin **rented** compared to 22% of customer owning. (Wisconsin Department of Financial Institutions Review of Payday Lending, 2001) ***25% of customer homeowners**. (Robert Mayer, Payday Lending in Milwaukee, 2005)
6. Percentage of Customer's Minorities		***53%** of customers reside in Majority Black Neighborhoods. (Robert Mayer, Payday Lending in Milwaukee, 2005) *In a zip code with a 30% of more minority population the **average number of loans per customer was 37% higher than in predominately white zip codes**. (Reinvestment Alert, Woodstock Institute, March 2000) *The concentration of payday store in North Carolina is **three times greater in African-American neighborhoods** than in white neighborhoods. (Uriah King, Race Matters, 2005) *Predatory lending may constitute discrimination – not because it excludes minorities, but because **it targets and exploits them by offering loans with abusive terms** and conditions. (Uriah King, Race Matters, 2005)
7. Percentage of Customer's In Relation to Military Bases		*From 20 states surveyed, with 15,000 payday lenders, counties and **Zip codes most over-represented by payday lenders had large military populations**. "Distance to military bases is the variable that best predicts a large number of payday lenders." (Christopher Peterson, Predatory Lending and the Military, 2005)