

Critique of the Cypress Research Group’s Survey of New York & Virginia Residents Regarding Short-Term Credit Options

Cypress Research has a long-standing relationship with the check cashing and payday lending industries, and has conducted industry-funded surveys and testified on their behalf for many years. This latest poll which seeks to compare what types of credit and/or other strategies New Yorkers and Virginians use when faced with a financial shortfall. New York employs an 25% APR usury cap on small loans products, while Virginia allows payday and car title loans which carry triple digit annual interest rates.

An analysis of the survey findings shows:

- (1) there are few if any meaningful differences in what New Yorkers and Virginians do in the event of a financial shortfall; and,
- (2) any differences that do remain can be explained by the fact that Virginia respondents are likely far better off financially than their New York counterparts.

Therefore, these survey findings provide no evidence that New Yorkers need access to additional small loan products offered above the usury limit which has protected residents of the state from predatory lending for generations.

These are discussed in more detail below:

1. Few if any meaningful difference in New York and Virginia respondents’ experiences with financial shortfalls.

The survey focuses on the differences in frequency of overdrafts, late bill or credit card payments, and use of small loans between residents of Virginia and New York, ultimately suggesting on Slide 27 that New Yorkers incur more overdrafts and late fees because they do not have access to payday loans. However, Cypress Research notes that this survey has about a 3% margin of error—meaning that we cannot draw any meaningful conclusions when results that differ by less than 3%. It is just as likely that the residents of these states have similar rates of overdrafts and late fees regardless of their usury limits. The table with survey results below shows that in each of these areas, the difference in responses is at or below 3%.

	New York	Virginia	Difference
Experienced an overdraft	16%	15%	1%
Incurred a late fee on a credit card	17%	14%	3%
Incurred a late fee for routine bills	13%	10%	3%
Obtained a small, short-term loan on the Internet*	4%	2%	2%
Obtained a small loan from a business (proxy for payday lender)	0.9%	4.1%	3.2%

*Note that internet payday lending is illegal in both states.

2. New York and Virginia respondents are not comparable, as the Virginians surveyed are likely far better off financially than their New York counterparts.

Further, even if we completely set aside the problem noted above, the survey compares New Yorkers to Virginians who are far better off financially. Because of this, we should expect to see the New Yorkers report greater frequency of overdrafts, late fees, and other financial problems. Slide 10's breakdown of New York and Virginia respondents by income reveals that a similar percentage of respondents per bracket, ie: 31% of Virginians and 35% of New Yorkers earn less than \$35,000 and, similarly 24% of Virginians and 22% of New Yorkers make more than \$100,000.

The Virginia respondents, however, come from areas of that state which have a far lower cost of living than their New York counterparts. The largest share of the New York sample comes from the New York City area, while bulk of the Virginia sample comes from smaller cities and towns such as Richmond and Roanoke. When comparing a person from Manhattan earning, for example, \$50,000 to a person from Richmond making the same amount, we would expect to see far greater incidence of financial hardship from the New Yorker due to vastly higher living expenses.

The fact that the New York respondents were largely from the New York City metro area, while Virginia residents were from smaller cities and towns and—to a much lesser extent—from the Virginia suburbs of the Washington DC area may also explain the small difference reported in the share of respondents who were aware of illegal loan activity, since this may be more prevalent in a large urban area.