About Advance America

• Founded in 1997

• Leading non-bank provider of consumer financial services in the U.S., including cash advances

• Approximately 2,400 centers in 29 states
What is a Payday Advance?

A payday advance is an unsecured loan that allows consumers to cover relatively small, unplanned or periodic expenses. It involves a one-time fixed fee and must be paid back within a short time period, typically two weeks.
Financial Fragility

• Forty percent of Americans live paycheck to paycheck (Consumer Federation of America, 2012)

• Fewer than 1/3 feel financially comfortable (Consumer Federation of America, 2012)

• Almost half of all households, including a sizeable portion of the middle-class, reported they could “probably not” or “certainly not” come up with $2,000 in 30 days (National Bureau of Economic Research, 2011)
Who Borrows?
Our Customers

Middle-Income Working Americans: Banked and Employed (1)

- Advance America demographics based on annual survey of approximately 385,000 customers across all states

<table>
<thead>
<tr>
<th></th>
<th>Advance America Customers ²</th>
<th>U.S. Census 2010 ⁴</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Age (years)</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$54,373</td>
<td>$50,046</td>
</tr>
<tr>
<td>Percentage Homeowners ³</td>
<td>48%</td>
<td>65%</td>
</tr>
<tr>
<td>Percentage with High School Diploma or Higher</td>
<td>94%</td>
<td>85%</td>
</tr>
</tbody>
</table>

Notes:
1. Client base also includes individuals with a regular source of income (e.g., Social Security)
2. Based on approximately 385,000 of our randomly selected customers across all states that performed a transaction between November 1, 2010 and October 21, 2011.
3. Percentage homeowners includes homeowners and probable homeowners.
Why Do They Borrow?
Why Customers Use Payday Loans

• Advance America customers use our service to cover a variety of expenses:

- Pay utility bill (54%)
- Pay for home or car repair (44%)
- Avoid bouncing a check (40%)
- Make a home or rent payment (35%)
- Avoid paying late fees (34%)
- Medical emergency (26%)
- Help a friend or family member (10%)
- Pay tuition (6%)
- New job (5%)

Advance America Brand Tracker, 2012
Why Customers Use Payday Loans

Payday Advance Fee vs. Alternatives
(Dollar Amount per $100)

Sources: CFSAA.com; Stephens, Inc. 2011; Pew Health Group “Still Risky” Report 2012; Bankrate.com; Readex Research National Data on Short-Term Credit Alternatives 2006; Moebs Services 2010 Financial Pricing Survey
One-Time Fee and APR

- One-time, flat fee disclosed as a dollar amount (typically $15 per $100) and implied APR
- APR equivalent to the cost of 26 consecutive payday loans
- Consumers decide based on actual cost but APR can help them compare options
- One-time, flat fee does not compound interest
Consumer Protection

• Advance America is committed to responsible lending and to helping consumers be successful borrowers.
  • Exceptional customer service
  • Full Disclosure of all terms and fees, as a dollar amount and an implied APR
  • Truth in advertising
  • No criminal prosecution or aggressive debt collection practices
  • Right to rescind
  • Limits on rollovers
  • Extended payment plan
Customer Satisfaction

- Customers say they appreciate having access to short-term loans, and the flexibility these loans afford them to manage their financial obligations.

- 97 percent of our customers pay us back.

Out of more than 10.5 million transactions in 2011, only 104 complaints were filed with state regulators.

Advance America Customer Survey, 2012
Regulation and Unintended Consequences
Regulated, Transparent Credit

- Consumers thrive in a competitive, regulated financial services environment
- Payday loans are regulated at the state level
  - Limits on fees
  - Restrictions on the maximum amount advanced
  - Loan renewal limits
- Consumer Financial Protection Bureau (CFPB) oversees federal laws
  - Federal Truth in Lending Act
  - Military Financial Services Protection Act
  - Fair Debt Collection Practices Act
  - Fair Credit Reporting Act
  - Equal Credit Opportunity Act
Good Actors and Bad Actors

• In absence of storefront lenders, regulators say consumers turn to online lenders, many operating outside state and federal law

• Industry analyst Stephens Inc. reports rapid growth in online lenders

• Offer none of the consumer protections of regulated retail lenders
Unintended Consequences

**Georgia and North Carolina:** A staff study of the Federal Reserve Bank of New York reported that people “bounced more checks, complained more about lenders and debt collectors, and have filed for Chapter 7 (‘no asset’) bankruptcy at a higher rate” after payday lending was banned through interest rate caps in Georgia and North Carolina.

**Oregon:** One year after implementing a 36% interest rate cap, 75% of Oregon’s 360 short term lending stores closed their centers. Consumer complaints against unregulated Internet lenders greatly increased.

**Washington State:** In the first year under an eight-loan limit on payday advances, consumer complaints against payday lenders were up 50 percent, with half of the complaints against Internet lenders.

**District of Columbia:** An interest rate cap of 24% closed all lenders in the District, where officials report an increase in unscrupulous, unlicensed lenders charging as much as 2,000% interest, taking payments from a borrower’s checking account without authorization and initiating harassing telephone calls.
Conclusion

- Payday advances are a sensible financial choice personally and economically for managing financial difficulties.

- Before choosing any lender, consumers carefully weigh their options, including credit cards, overdraft programs and cash advances from banks, credit unions and retail lenders.

- Eliminating payday loans does not erase consumers’ need for short-term credit or ease the challenges they face.
  - Drives them to more expensive options such as unregulated lenders or into bankruptcy.

- Legislators, regulators and lenders must partner to promote fairly regulated, competitive and innovative credit solutions.
  - Ensure access to credit.
  - Guarantee meaningful consumer protections.
Contact:
Jamie Fulmer
864-342-5633
jfulmer@advanceamerica.net

www.advanceamerica.net