

Advance America and the Evolution of Short-Term Credit

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What is a Cash Advance?

A cash advance is an unsecured loan that allows consumers to cover relatively small, unplanned or periodic expenses. It involves a one-time fixed fee per \$100 borrowed, and must be paid back within a short time period, typically two weeks to one month.

History of the Product

- Early 1990s:** Emerging, unmet consumer demand for short-term, small-dollar credit.
- Mid 1990s:** Some banks, check cashers and retail lenders begin to operate brick-and-mortar centers offering short-term loans.
- 2000's:** Late fees and fees for overdraft credit begin to rise. Recession constricts credit market. Consumer need, demand for short-term credit grows.
- 2010s:** Millions of consumers continue to live paycheck to paycheck, number of unbanked/underbanked grows, increasing array of short-term credit options available from banks, non-banks, retailers.

A Typical Cash Advance Transaction

Day 1

A Secure, Professional Process

Visit center with identification, pay-stub, bank statement

Complete application form

Sign agreement and write check for loan amount + flat fee

Make appointment to return and repay advance

Receive cash or check for advance

Return on appointment date with cash and reclaim check

Day 14

Fees

- One-time, flat fee disclosed as a dollar amount
- Average of \$15 per \$100, but varies by market
- Also disclose fee as an implied APR
- Consumers decide based on “real-dollar” cost, convenience and other factors’
- APR is always disclosed, but not particularly meaningful for short-term credit
- Most products consumers are comparing to (overdraft, late fees) do not disclose APR

Market for Short-Term Credit



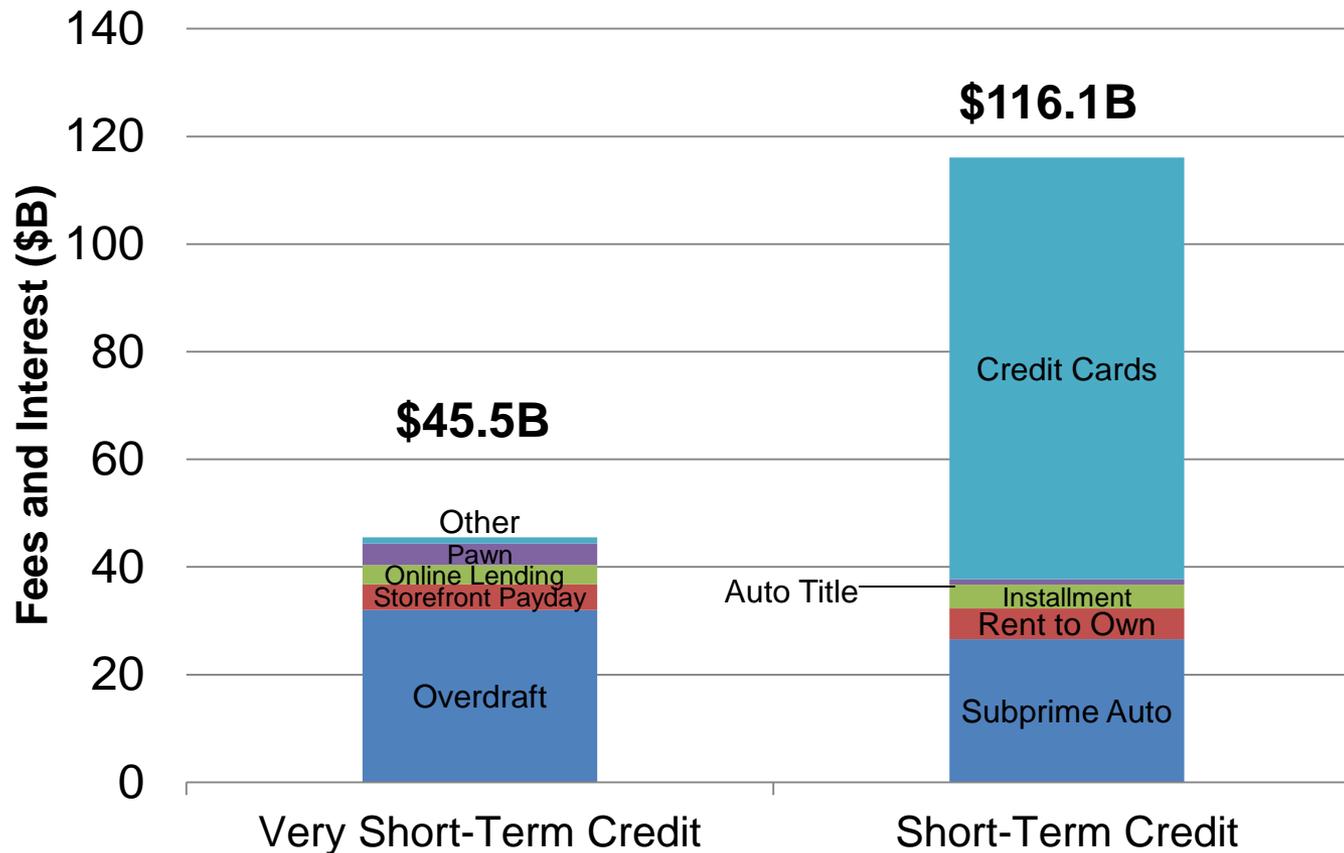
Market for Short-Term Credit

- Demand primarily met by:
 - Late payments to vendors
 - Overdraft protection and NSF from banks and credit unions
 - Deferred deposit advances from cash advance centers, check cashers and online lenders

	Cash Advances	Overdraft Protection and NSF
Households served	19 million	38 million
Transactions	120 million	1 billion
Fees	\$7.3 billion	\$32 billion

Source: Stephens, Inc. and Moeb's Services

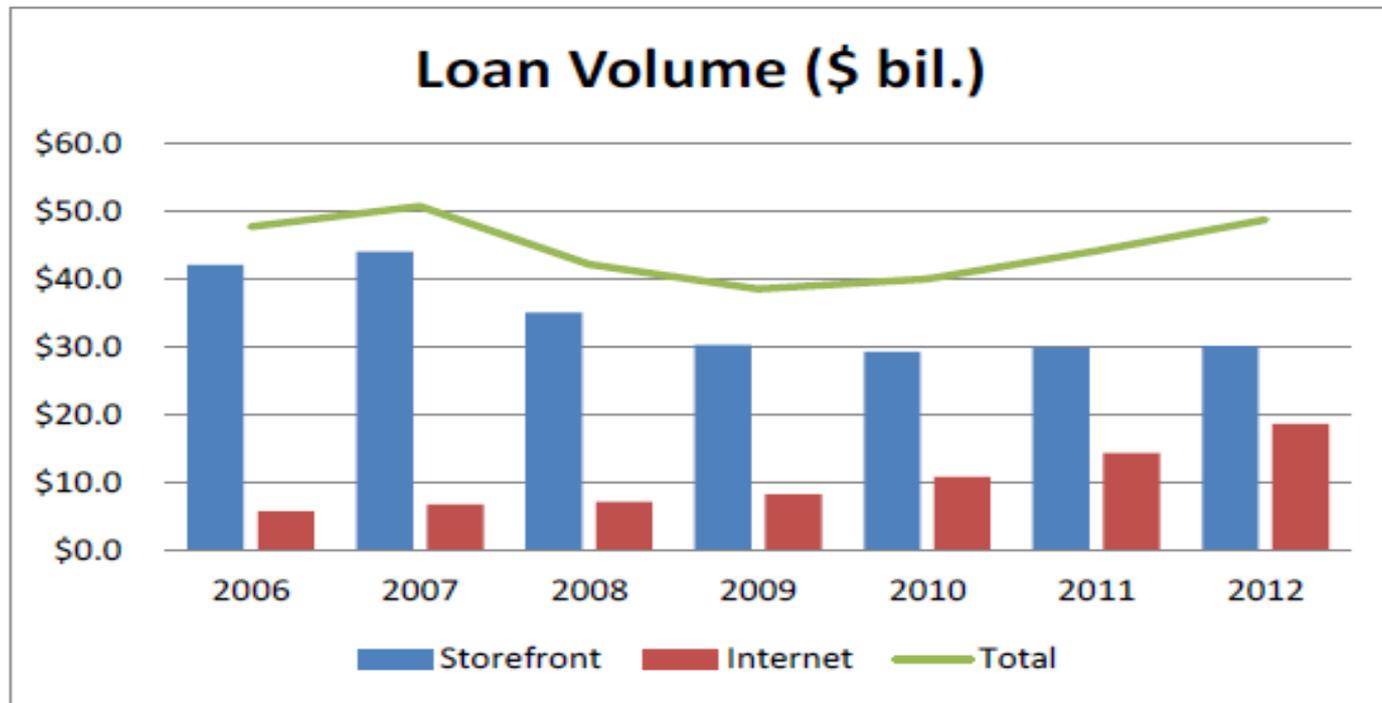
Market for Short-Term Credit



Short-Term Lending Industry

- Loan Volume, 2012: \$30.1B storefront + \$18.6B Internet = \$48.7B total

Online, Storefront & Total



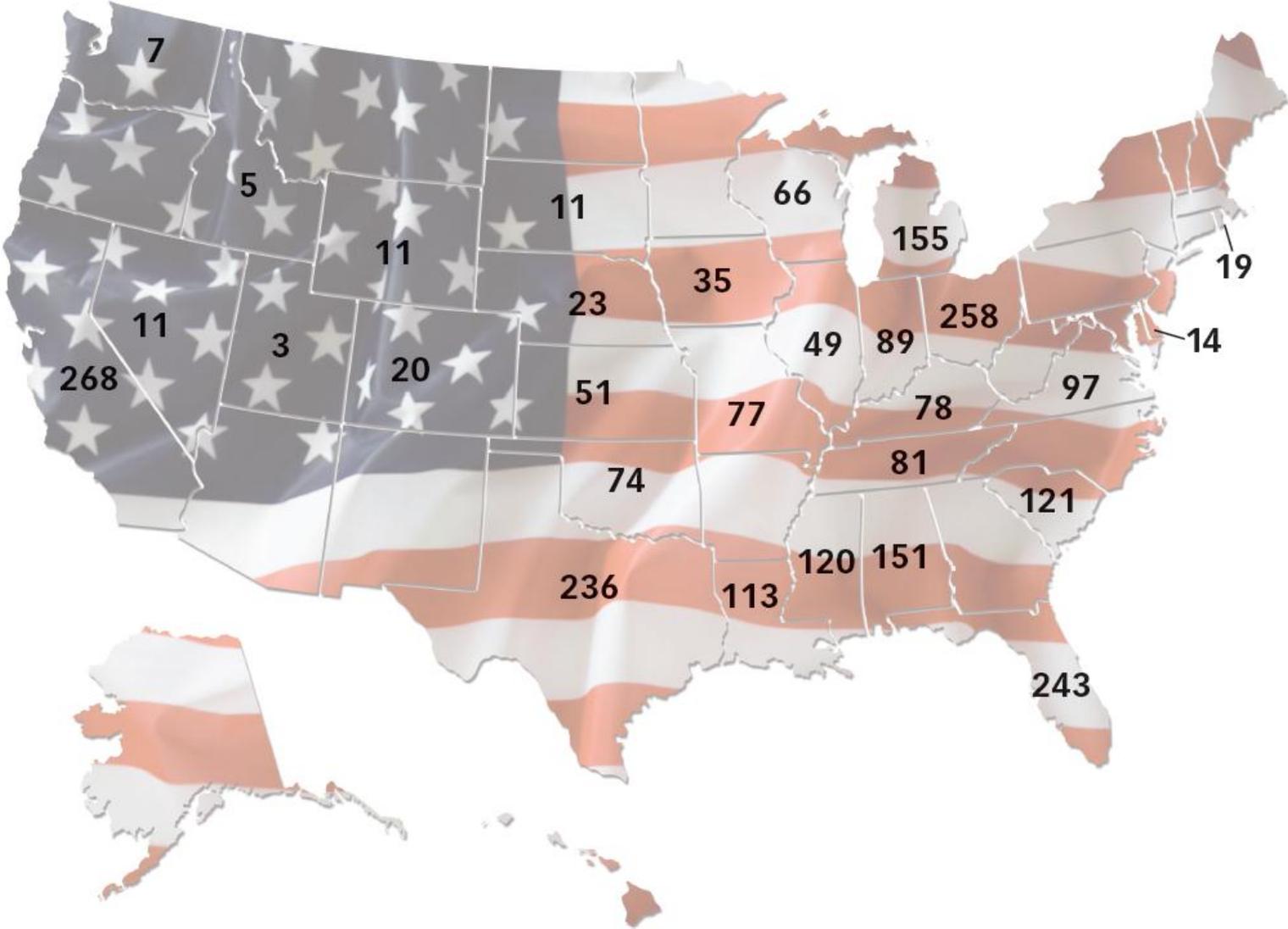
Source: Stephens, Inc., 2013

Our Company and Customers



Advance America Across the U.S.

United States Footprint: 2,486 US Centers



Our Customer

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

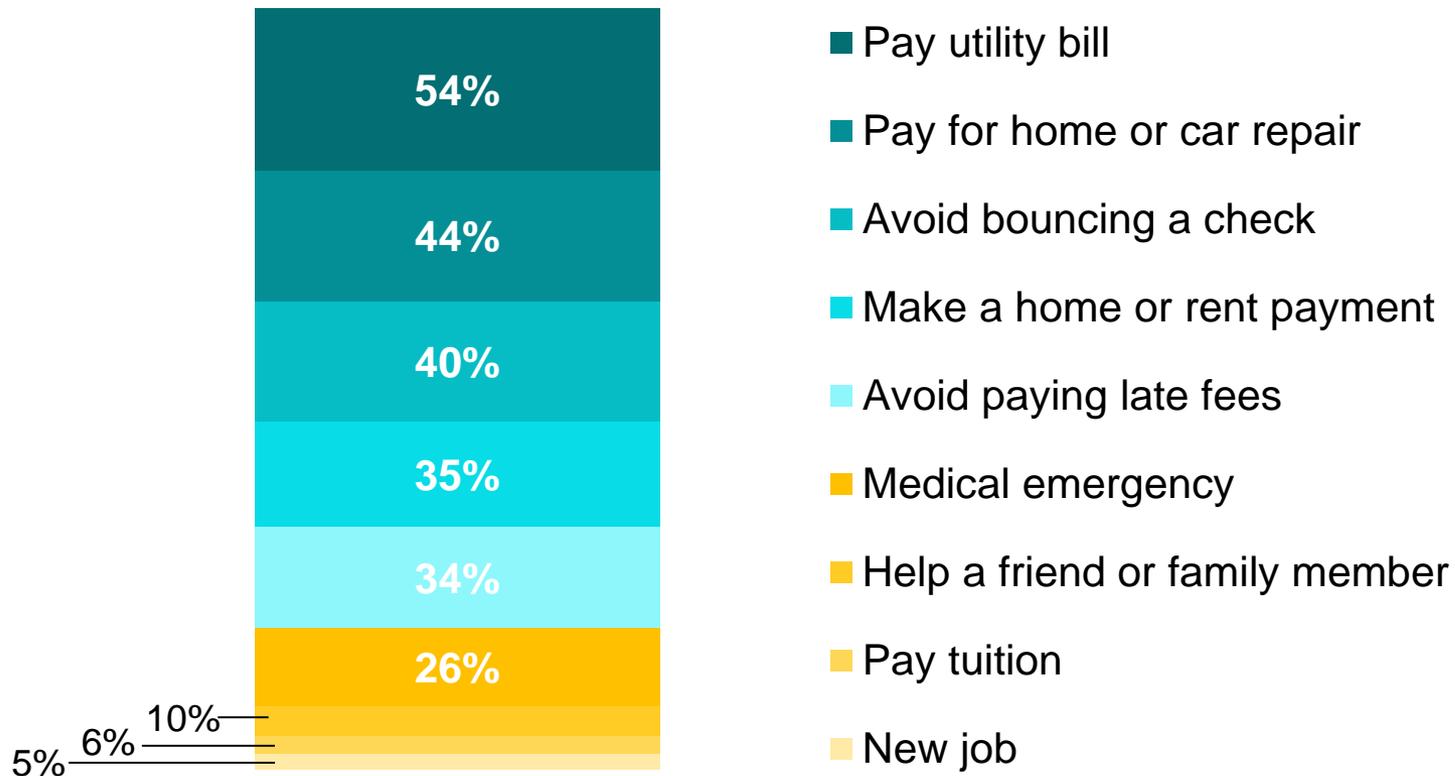
	Advance America Customers ²	U.S. Census 2010 ⁴
Average Age (years)	41	39
Median Household Income	\$55,102	\$50,046
Percentage Homeowners ³	48%	65%
Percentage with High School Diploma or Higher	93%	85%

Notes:

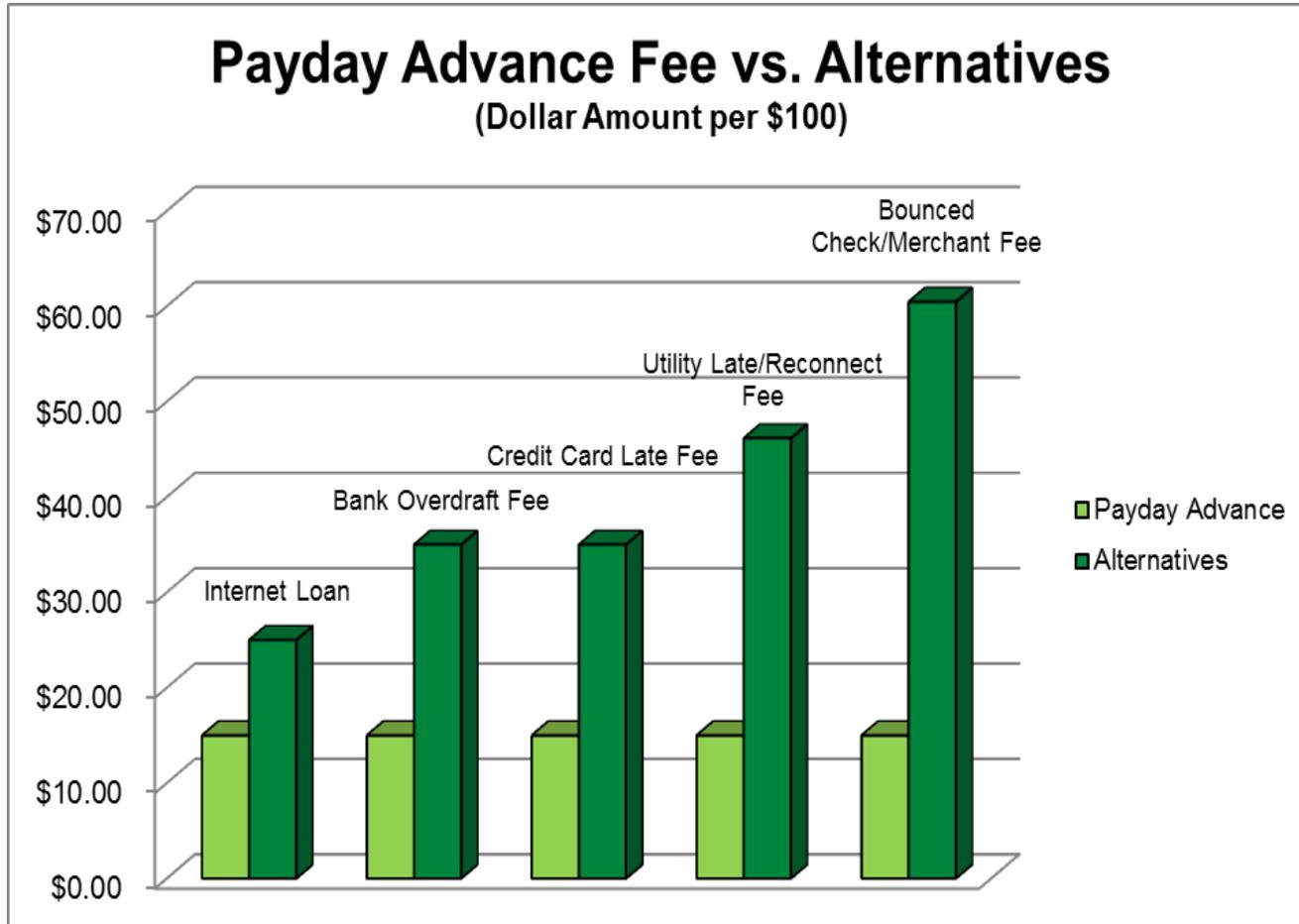
1. Client base also includes individuals with a regular source of income (e.g., Social Security)
2. Based on approximately 500,000 of our randomly selected customers across all states that performed a transaction between November 2011 and October 2012.
3. Percentage homeowners includes homeowners and probable homeowners.
4. Census Information from <http://factfinder.census.gov>

Why Customers Use Cash Advances

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



Why Customers Use Cash Advances



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; Moeb's Services 2010 Financial Pricing Survey

Comparative Costs of Short-term Credit

Fees and APR for 14 day transaction

Product	Median Size	Median Fee	Median Fee per \$100	APR	Required to disclose APR?
POS/Debit Overdraft	\$20	\$27	\$135	3,520%	No
ATM Overdraft	\$60	\$27	\$45	1,173%	No
NSF Check	\$66	\$27	\$41	1,067%	No
Payday Advance*	\$370	\$55	\$15	391%	Yes

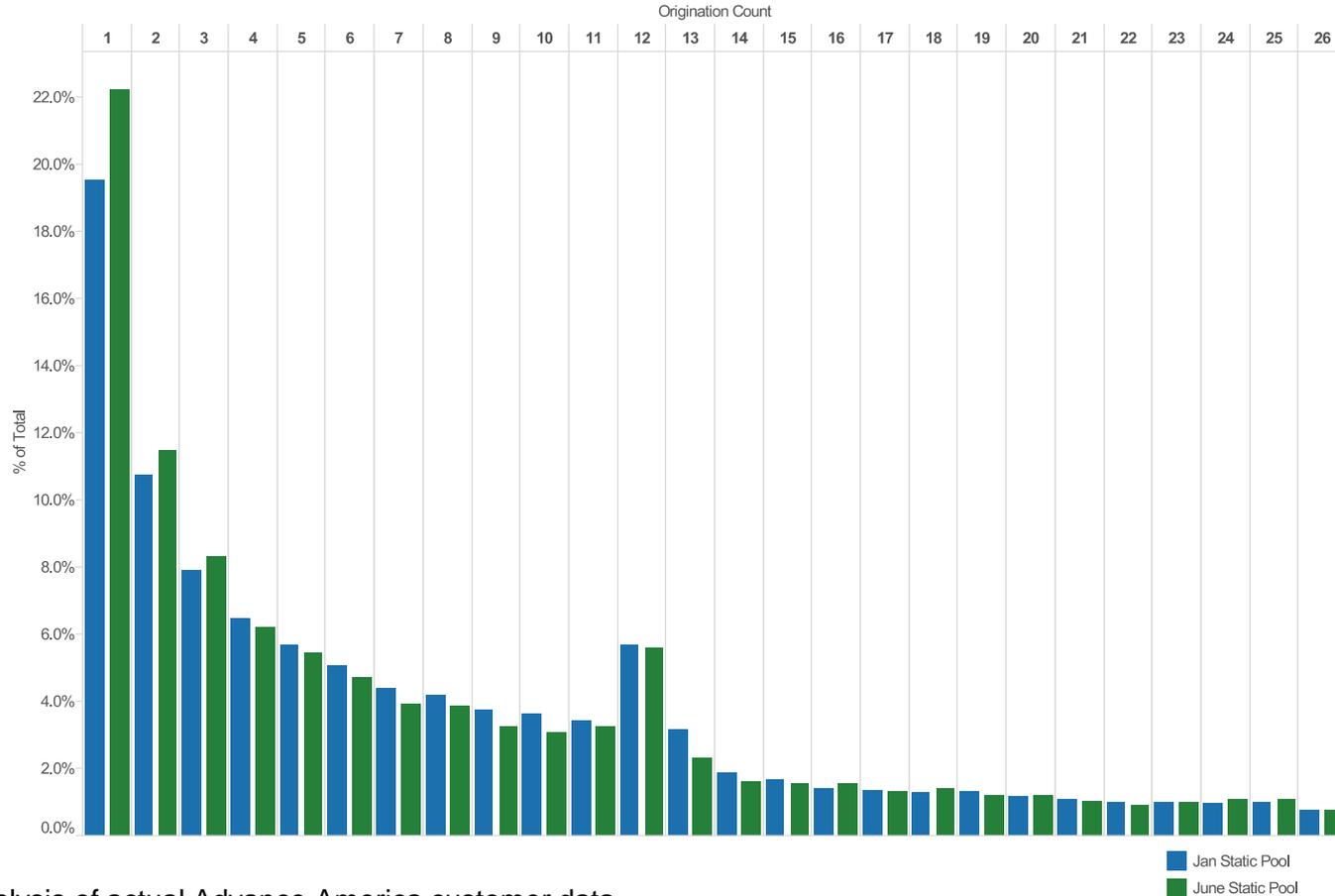
*Nationwide average

Source: FDIC Study of Bank Overdraft Programs November 2008 and Advance America data for Year ended December 31, 2010.

Patterns of Use

Transactions per customer - Parametric Distribution

- Modal customer use is one-time
- Varies by customer based on individual need



*Based on analysis of actual Advance America customer data

Highly Satisfied Customers

In 2012, Advance America served approximately
1.4 million customers.



Only 202 complaints were filed with state regulators.

Regulation and Innovations



State Regulations of Cash Advances

	License Required	Limits on Rollovers	Disclosures	Bond Required	Financial Requirements for Licensing	Fees Capped	Limits on Advance Term	Maximum Loan Amount	Extended Payment Plan*	Right of Rescission	Exams/ Audits	Allows for Fines Against Lender	Prohibition on Criminal Prosecution of Customer	Officer and/or Employee Background Check and/or Industry Experience Required
AL	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓
AK	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CA	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
CO	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓
DE	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓
FL	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
HI		✓	✓			✓	✓	✓			✓	✓	✓	
ID	✓	✓	✓		✓		✓	✓		✓	✓	✓	✓	✓
IL	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IA	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓
KS	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓
KY	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓
LA	✓	✓	✓		✓	✓	✓	✓			✓	✓	✓	✓
MI	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
MN	✓	✓	✓		✓	✓	✓	✓			✓	✓		✓
MS	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
MO	✓	✓	✓			✓	✓	✓		✓	✓	✓	✓	✓
NE	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓
NV	✓	✓	✓	✓				✓	✓	✓	✓	✓	✓	✓
NM	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ND	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓
OK	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
RI	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓
SC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SD	✓	✓	✓	✓				✓			✓	✓		✓
TN	✓	✓	✓		✓	✓	✓	✓			✓	✓	✓	✓
UT	✓	✓	✓						✓	✓	✓	✓	✓	✓
VA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
WA	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
WI	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓
WY	✓	✓	✓			✓	✓				✓	✓		✓

✓ - Provisions included in state laws governing payday lending.

* In states where state law does not require the offering of an Extended Payment Plan, CFSA members are required to offer consumers an Extended Payment Plan in accordance with CFSA's Best Practices.

Updated 1/1/13

Regulatory Limitations

- Regulated on state and federal level
- Interchangeable products are not governed the same way
 - Creates confusion for consumers and uneven playing field, impacting competitive marketplace
- Some regulations are excessively restrictive, such as interest rate caps and loan limits
 - Don't reflect how consumers actually use short-term credit
 - Don't address consumers' continued needs, leaving them exposed to unintended consequences

Trends and Innovations

- Industry continues to evolve with consumer demand
- Extended payment plan and other customer protections
 - Unique option in financial services; allows customers to unilaterally change the terms of their loan free of charge
- Greater impact of data analytics
- Retail channel diversifying with new products, services
- Increasing distribution through online and mobile
- Increasing competition from outside of the state licensed and regulated lenders

Conclusions

- Consumers' short-term credit needs continue to evolve.
- Non-bank lenders are uniquely positioned to meet these needs.
- The cash advance in particular is a simple, transparent, affordable credit option that makes personal and economic sense for many, especially when compared with more costly alternatives.
- While the credit market expands to meet the needs of consumers, especially the underbanked, we must be mindful not to discourage competition and innovation.

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