

B. Restatement of Problem Researched

A payday loan is a consumer loan, made for a very short time period (usually 14 days), which is secured by a post-dated check. The interest rate on payday loans varies by state, due to state regulations, but is typically 15% per loan. This finance charge implies a 390% APR. Payday loans are currently banned in 18 states including Arkansas. In 2009, I conducted a controlled research experiment of 837 payday loan customers. In order to receive a payday loan, a borrower is required to show a bank statement in order to prove income and bank account status. As a condition of study participation, research subjects were required to provide me with copies of the most recent bank statement and asked for as many others as possible. As a result, I have a two-foot high stack of bank statements. These bank statements present a valuable source of information which can be applied to answer research questions concerning causes for and consequences of payday loans and their relationship to possible substitute services such as bounced checks, pawn shops, and credit cards. One research project which will come from these data, is to investigate the connection between check bouncing and payday borrowing. However, the data will be useful beyond this first project.

C. Brief Review of Research Procedure

Students were hired to create a database from a portion of the personal financial records which I possess. The process of digitizing the records was as follows.

- Step 1: Identifying information including name, address, or account numbers have been redacted from the paper records. However, I need to verify that all of this information has been removed.
- Step 2: The paper records need to be digitally scanned. Student workers can complete this step using a computer and scanner in my office, or in the College of Business Office.
- Step 3: When a student workers is ready to complete step 4 for a statement, that statement will be copied to a secure network location for the student worker to access.
- Step 4: Student workers will enter this information into a spreadsheet. Information such as dollar amounts and dates will be typed. However, longer strings of data can be copied from the scanned file to the spreadsheet. (Note: In testing, we were able to reduce the time to complete the task by 25% when scanned first and then copied from the scan to the spreadsheet – rather than skipping the scanning and typing all of the information.)

D. Summary of Outcomes and Experiences

The project was funded for the requested amount of \$3000 which allowed me to employ 6 students for a total of 413.5 hours.

The first lesson learned was that once the workers became skilled at data entry, they wished to skip step 2 and proceed directly to step 4, entering the data directly from the original paper. Further, step 3 was unnecessary as the statements were not scanned and the students worked only when I was present to supervise their work and distribute paper bank statements to be entered into the database. Rather than working with secured network locations, we worked with paper and flash drives all of which I could control and secure when not in use.

In the original report I estimated that this labor force would be able to enter 8.075 inches of the 23 inch stack of paper in my possession. Three of my students were especially efficient at their job and the completed stack of bank statements measures 9.5 inches tall. We were able to create a database of 37,273 transactions made by 177 customers with bank accounts at 37 different banks in 5 states.

In addition to creating this database, I found two additional benefits from the project. First, I discovered a few additional research topics which can be addressed in this data. One example is that people who use Bank of America's "Keep the Change" program, which is designed to increase personal savings, often do not accumulate savings. I now intend to investigate this further. Second, one of the additional research topics was discovered by one of the student workers. That student now intends to conduct a research project investigating the connection between payday loans customers and "wasting" money at fast food restaurants.

E. Conclusions and Recommendations

We completed more work than was forecast in the original grant proposal. New student research projects and new faculty research projects were spawned by the work. Therefore, I consider this project to be successful, despite having to invest much of my summer time into it. The work continues, more than half of the original bank statements are yet to be processed. In addition, I have since received more bank statements which were not in my possession when I wrote the April grant request. I will continue adding to this database using departmental resources, albeit at a much slower pace. I may also apply for another Faculty Development Grant so that I can rehire one or two of my most efficient workers.

F. Attachments

It is required that I submit documentation of progress. Since this project was preliminary to any spinoff research, there are not yet any abstracts or manuscripts. And since the result is a database containing sensitive information – personal financial records – I can not duplicate these database results for this report. However, I would be happy to allow the VP-AA or Professional Development Grant committee members to view said database at their convenience.