

The weighted average cost of providing payday loans for the industry as a whole and by major lender size category are provided in Table 5b.

	Cost per \$100 of Payday Loans			
	Average of All Firms	Large Businesses	Medium-sized Businesses	Small Businesses
Operating cost	10.58	10.31	12.04	16.92
Cost of loan capital	0.52	0.50	0.63	0.50
Cost of supplementary capital	0.57	0.56	0.63	0.69
Bad debt cost	<u>4.02</u>	<u>3.98</u>	<u>4.52</u>	<u>3.11</u>
<b>Total</b>	<b>15.69</b>	<b>15.35</b>	<b>17.82</b>	<b>21.22</b>

*Source: Ernst & Young Sample Survey of Payday Loan Businesses, 2004*

Compared to Table 5a (unweighted averages), the total cost on a weighted average basis of providing payday loans is significantly smaller (i.e., \$15.69 compared to \$20.66). The reason for this is that the largest payday lenders, which have significantly lower operating costs, represent a very large share of the total payday loan volume in the sample.

The variance in weighted average costs between large, medium-sized and small business is also significant. The difference in costs is being driven almost entirely by the variance in operating costs between the different-sized operators.

In terms of the individual components, the allocation of costs is not materially different from that of the unweighted cost structure (Table 5a).

## **B. MULTI-LINE VERSUS MONO-LINE PAYDAY LENDERS**

Table 5c illustrates the cost differences between multi-line and mono-line payday lenders. For purposes of this study, multi-line businesses are defined as those that earn less than 90% of their revenues from payday lending. There are seven respondents in the survey who are classified as multi-line operators on the basis of this definition. These seven businesses represent 94% of the volume of payday loans of the 19 businesses that participated in the study and 419 of the 474 stores represented in the entire sample.