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Online Payday Loan Payments

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1. Introduction

Lenders that make loans over the internet often use the Automated Clearing House (ACH) network to deposit the loan proceeds directly into borrowers' checking accounts. They then collect payment by submitting a payment request to the borrower's depository institution through the same system. If a borrower's account lacks sufficient available funds when the lender submits an ACH payment request, the borrower's depository institution may or may not fulfill the request. If the depository institution fulfills the payment request, it will likely charge the borrower an overdraft fee. Alternatively, the depository institution may return the payment request for insufficient funds. We refer to this as a "failed payment request." In this case, the borrower will likely be charged a non-sufficient funds (NSF) fee by the depository institution and may be charged a late fee, a returned payment fee, or both by the lender. The typical fee for both overdraft and NSF was \$34 in 2012, the period covered by most of the data reported here.¹

When an ACH payment request results in a failed payment, the lender may re-present the request. Lenders may use various practices to attempt to maximize the likelihood that presenting the payment request again will result in obtaining payment from a borrower's account, including varying the timing or amount of each payment request. We classify any subsequent payment request after a failed payment request as a "re-presentation," apart from successive failed requests on the same day.

¹ "CFPB Study of Overdraft Programs: A white paper of initial data findings," available at http://files.consumerfinance.gov/f/201306_cfpb_whitepaper_overdraft-practices.pdf.

In this report, we use checking account data from several large depository institutions to analyze ACH payment requests by a number of lenders that make (or made) online payday or other high-cost online loans with payments scheduled on a borrower’s payday. For convenience, we refer to the loans as “payday loans,” although it is likely that many of the loans are not standard, single-payment payday loans.

Key findings of this report include:

- During the 18 months we observe account activity, accounts with one or more loans from at least one of the identified online lenders make payments totaling on average \$2,164. The data do not permit us to distinguish which portion of those payments went to cover fees or interest and which portion went to repay principal. Nor can we identify the number of loans the average consumer took out during this period from these lenders. These same accounts are charged an average of \$92 in overdraft and NSF fees by their institution on payment requests from online lenders during the 18 months.
- Half of all accounts have at least one payment request that results in overdraft or failure due to NSF during the 18 month observation period. These accounts are charged an average of \$185 in overdraft and NSF fees by their institution on attempted payment requests from online lenders during the 18 months. We identify several different types of payment requests to determine which requests result in fees. Of the average of \$185 in fees, \$97 on average are charged on payment requests that are not preceded by a failed payment request, \$50 on average are charged because lenders re-present a payment request after a prior request has failed, and \$39 on average are charged because a lender submits multiple payment requests on the same day.²
- After a failed ACH payment request by an online lender, subsequent payment requests to the same consumer’s account are unlikely to succeed. If not preceded by a failed

² The three categories do not sum to \$185 due to rounding.

payment request, only 6% of payment requests fail. After a failed payment request, however, 70% of initial re-presentments fail, and subsequent re-presentments are even less likely to succeed.

- Of the 94% of initial payment requests that succeed, 7% succeed only because the borrower's depository institution covers the payment as an overdraft. If an initial payment request fails and the lender makes a subsequent attempt, only 30% of the initial re-presentments succeed, and about a third of those succeed because they are paid as overdrafts. Subsequent re-presentments show a similar pattern of succeeding only because of overdraft.
- Many online lenders submit multiple payment requests on the same day. Thirty-four percent of online payday payment requests occur on the same day as another request by the same lender. When multiple payment requests are submitted to a single account on the same day by an online lender, the payment requests usually all succeed (76%) or all fail (21%). Only 3% of payment requests that occur on a day with multiple requests are on days when at least one payment fails and another succeeds.
- Accounts of borrowers who use loans from online lenders are more likely to be closed by the end of the sample period than accounts generally (23% versus 6%, respectively). Accounts with any online payday loan payment request that fails are particularly likely to be closed, with 42% of such accounts closing by the end of the sample period.

2. Data

The analysis presented here uses data on consumer checking accounts obtained from several large depository institutions.³ The data used in this analysis were previously used for the Bureau’s research into deposit advance products; all of the depositories included in the data collection offered deposit advance products during the sample period, which spanned 18 months in 2011 and 2012.⁴

The Bureau received two samples from each depository institution. The first was drawn from checking accounts that were eligible to use the deposit advance product at some point during the sampling period but had not taken a deposit advance. The second sample was drawn from accounts that were eligible and had used the deposit advance product during the sample period; these accounts were sampled at a higher rate. We weight all of the results throughout the report accordingly. Note that we do not have data on accounts that were never eligible for deposit

³ This data was previously used in the Bureau’s publication “Payday Loans and Deposit Advance Products, a White Paper of Initial Data Findings,” available at http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf. The Bureau obtained the data from institutions through the supervisory process. The CFPB considers all supervisory information to be confidential. Consistent with CFPB’s rules, the data findings presented in this report do not directly or indirectly identify the institutions or consumers involved. See CFPB’s final rule on the Disclosure of Records and Information, 12 C.F.R. § 1070.41(c).

⁴ Structured similarly to short-term loans, deposit advance products are lines of credit offered by depositories only to accounts that receive electronic deposits on a regular basis and meet other eligibility requirements, such as having been open and in good standing for some period of time. Rather than having a predetermined repayment date, advances are repaid through an automatic withdrawal on the associated account’s next qualifying electronic deposit.

advance products during the sample period, which may limit the generalizability of the results to other populations, such as checking account customers who do not receive their income via direct deposit. However, customers are typically required to state their income when applying for online payday loans. Customers with direct deposit are likely to have regular income, whereas customers without direct deposit may be less likely to have regular income. Thus, customers without direct deposit may be less likely to qualify for an online payday loan as they may be unable to state income that meets the lender's requirements.

The datasets used for this analysis include all of the de-identified transactions of a checking account during the sample period. For each transaction, the depository institution provided the amount of the transaction, the type of transaction, such as a debit from a debit card or a credit from a personal check, and whether the transaction was paid normally, was paid as an overdraft, or was refused because of insufficient funds. The depository institution also identified if the transaction had a depository assessed fee associated with it due to overdraft or NSF. Depository institutions typically have a maximum number of transactions in a day that are allowed to incur overdraft and NSF fees. Transactions that result in overdraft or NSF can still occur once the maximum number that are allowed to incur fees is reached; however, transactions that overdraft or fail due to NSF beyond the maximum number would not incur fees from the depository institution. A subset of the depositories provided information identifying the merchant initiating electronic transactions, including ACH transactions, and the data used in this analysis is limited to that subset of depositories. The data do not include specifics relating to what was purchased. Any personally identifiable information, such as account holder name or social security number, was removed from the data before Bureau staff began this analysis.

To identify online lenders in the data, we examined each merchant description in the data with 50 or more ACH debit transactions, a total of 14,099 merchant descriptors. We identified possible online lenders based on the merchant descriptions, and used online search engines to determine whether the merchant was, in fact, an online lender making payday or similar high-cost loans. For this analysis, online lenders include companies providing high-cost, short-term loans and operating strictly over the internet or by phone. In addition to lenders making traditional payday loans with a single balloon payment, we include lenders making high-cost installment loans with various payment structures, typically with payments timed to coincide with a borrower's payday. While a small number of online lenders offer loans secured by an auto title, the overwhelming majority of lenders included in this analysis only offer unsecured loans. Loans secured by an auto title typically require a borrower to visit a physical location, and thus, lenders making such loans are less prevalent in the online market. Due to our limited

ability to identify certain types of transactions, lenders known to have storefronts, even if they also make loans online, are excluded from this analysis.⁵ Of the 14,099 merchants we reviewed, we classified 332 as online lenders.⁶ We identified 19,685 accounts in the dataset with payment requests from at least one of these lenders.

⁵Storefront lenders are more likely to receive some payments by cash or check. Cash payments are processed without the direct involvement of a deposit account and therefore are not shown in the data. Check transactions do appear in the data, but do not identify the merchant to whom the payment was made. When a storefront lender deposits a borrower's check or submits an ACH payment request it is often because the borrower has previously failed to come to the storefront location and make a payment in cash. Payment request failure rates for these lenders therefore may be higher than for online lenders.

⁶Only the merchant name from the account data was used when identifying merchants as online lenders. We did not consider payment behavior or payment success or failure rates.

3. Re-presentments

In this section, we describe the results of analyses of re-presentments of failed payment requests. We are able to observe lender requests to pull ACH payments from consumer bank accounts and whether the requests are successfully paid. The data do not show whether a payment request following a failed payment is the online lender choosing to re-present the payment prior to the next scheduled payment or whether it is simply following the payment schedule; as noted above the data shows only the amount and the type of transaction, as well as if it was paid successfully, paid successfully with overdraft, or returned for insufficient funds and if there were any depository assessed fees due to an overdraft or a NSF transaction. While we do not know the lenders' payment schedules, Section 3.2 below shows the timing between presentments following successful and failed payment requests. As mentioned above, for the purposes of this analysis, we refer to any payment request following a failed payment request as a "re-presentment."⁷ The only exception is when multiple payment requests are submitted on the same day; if two or more fail, only the first failed payment request is considered a re-presentment.⁸ Lenders often make multiple payment requests on the same day. Given the

⁷ It is possible that lenders may use different merchant names for future requests, which we are unable to link to previous payment requests by the same lender using a different merchant name. We are only able to identify re-presentments of failed payment requests when the lender uses the same merchant name that was used for the previous failed payment request.

⁸ Additionally, any subsequent payment request that succeeds on the same day as a failure is considered a re-presentment. This is done to ensure that a payment request in the days following a failure is not considered a re-presentment if there has been a successful payment in the interim.

processing times for ACH transactions, lenders are unlikely to know the outcome of an ACH payment request before deciding to submit another one on the same day.⁹ Same-day payment requests are analyzed in Section 3.3, below.

We impose two sample restrictions. First, we remove any sequence of payment requests from a lender for which the first observed payment request failed and the failure occurred during the first 45 days of the sample. This is to ensure the failed payment request is not counted as an initial payment request when in fact it was a re-resentation of a failed payment request that occurred prior to the start of the observation period. Second, we remove any sequence of payments if there was a deposit advance product transaction (either a draw or a repayment) between the initial failed payment and the second payment request. This is done to limit the effects of consumers' use of deposit advance products on the observed payments.

As noted, our data cover a period of 18 months. For any individual borrower, the length of time during which we are able to observe payment requests depends upon when the first payment request is observed. For some borrowers, we are able to observe payment requests over the full 18 months; at the opposite extreme, for some borrowers, we are able to observe payment requests for only a few days. On average, we are able to observe payment requests over 9 months.

⁹In order to initiate an ACH payment from a consumer's account, a lender must send a request (also known as an "entry") through an originating depository financial institution (ODFI). ODFIs aggregate and submit batches of entries for all of their originators to an ACH operator at predetermined intervals. The ACH operators sort the ACH entries and send them to the receiving depository financial institutions (RDFI) that hold the individual consumer accounts. The RDFI then decides whether to debit the consumer's account or to send it back unpaid. ACH debit transactions generally clear and settle in one business day after the payment is initiated by the lender.

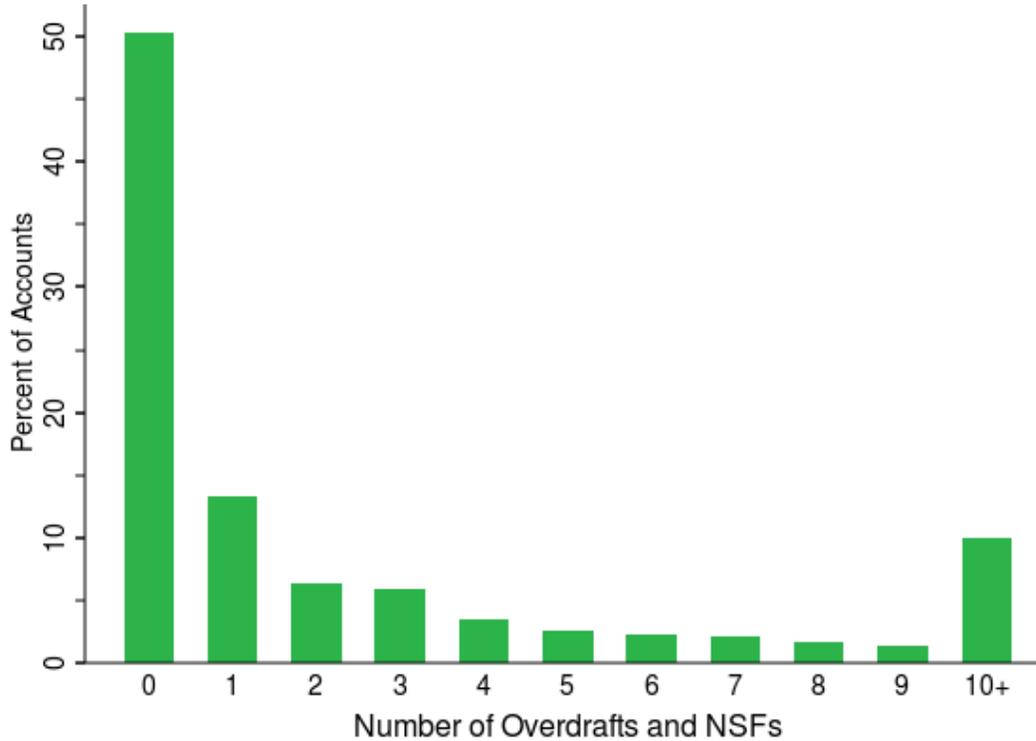
3.1 Payment Request Patterns

During the 18 months we observe account activity, borrowers with one or more loans from at least one of the identified online lenders make mean total payments of \$2,164. We cannot distinguish which portion of those payments went to cover fees or interest and which portion went to repay principal. Nor can we identify the number of loans the average consumer took out during this period from these lenders. These same borrowers are charged a mean total of \$92 in overdraft and NSF fees¹⁰ by their institution on attempted payment requests from online lenders.

For accounts with online payday payments, Figure 1 shows the distribution of accounts by the number of online payday payments that result in overdraft or NSF during the 18-month sample. Half of all accounts with online payday loan payments have only successful payment requests without any overdraft or NSF transactions, and half experience one or more overdraft or NSF transactions. Ten percent of accounts experience at least 10 payment requests that result in either overdraft or NSF.

¹⁰ For all transactions in the data, we can see if the transaction resulted in overdraft or failure due to NSF, as well as the fee the depository institution charged as a result of the overdraft or NSF. As mentioned previously, not all payment requests that result in overdraft or failure due to NSF have associated fees from the depository. Thirteen percent of payday payment requests that result in overdraft or failure due to NSF do not incur fees. In these cases, it is likely that the account has already had several transactions that incurred overdraft or NSF fees previously in the day. While not all payment requests that overdraft or fail due to NSF incur fees, these requests signal the low or negative balance of the account. Additionally, the transactions that result in overdraft or failure due to NSF which do or do not incur fees may be dependent on the order by which the depository processes the ACH requests.

FIGURE 1: NUMBER OF ONLINE PAYDAY OVERDRAFT AND NON-SUFFICIENT FUNDS TRANSACTIONS PER ACCOUNT WITH ONLINE PAYDAY PAYMENTS



Accounts that have at least one online payday loan payment request which results in an overdraft or NSF are charged a mean of \$185 in overdraft and NSF fees by their institution on attempted payment requests from online lenders during the 18 month observation period. In calculating the average of \$185 in fees, we identify several different types of payment requests that incur overdraft and NSF fees. Of the \$185 in fees, \$97 on average are charged on payment

requests that are not preceded by failed payment requests,¹¹ \$50 on average are charged on re-presentments in the days following the initial failed payment requests, and \$39 on average are charged on additional payment request occurring on the same day. Note that “failure of first payment” includes initial failed requests on multiple loans from different online lenders, as well as the first failed request that might occur after a successful re-presentment. For accounts with at least one payment request that results in overdraft or NSF, 10% are charged at least \$432 in overdraft and NSF fees.

Over a third of accounts (36%) have more than one overdraft and/or failed payment request from an online lender during the 18 month observation period. They are charged a mean total of \$242 in overdraft and NSF fees on attempted payment requests from online lenders during the 18 months.

Table 1 shows the success and failure rates of online payday loan payment requests and subsequent success and failure rates of re-presentments.¹² Additionally, Table 1 shows the average size of payments that succeed or fail within the re-presentment sequence. After a payment request to a consumer’s bank account has failed, the majority of re-presentments to that account do not succeed. Only 30% of second payment requests and 27% of third payment requests succeed. Moreover, 10% of second payment requests and 8% of third payment requests only succeed with overdraft, representing nearly a third of all second and third payment

¹¹ Excluded from the \$97 are fees on overdraft transactions that occur on the same day as an earlier transaction that results in overdraft. Fees on these transactions are included in the \$39 of average fees charged on multiple same-day transactions.

¹² While this analysis shows results for payday payment requests occurring through the ACH network, some online lenders use alternative payment networks, such as the debit card networks, to obtain payment from borrowers. Similar to the ACH network, transactions made over the debit card networks provide information identifying the merchant initiating the transactions. Unlike the ACH network, however, transactions occurring over the debit card networks that fail are not recorded in the data, and thus, we are unable to determine the share of presentments that fail and how online lenders respond after a failed transaction. However, of the successful online payday debit network transactions we do observe, 5% succeed only through overdraft, slightly lower than the share of successful payment requests that succeed through overdraft in the ACH network (7%).

requests that succeed. Over one-third of accounts with at least one payment request from an online lender (34%) experience at least one failed payment request from an online lender during the 18 month observation period. Over one quarter of accounts with at least one payment request from an online lender (27%) experience at least one re-presentation after a failed payment request and 16% experience at least two re-presentments.

Table 1 also shows the expected value for each presentment, which is the amount that lenders can anticipate receiving from each presentment, on average. Expected value is calculated by multiplying the average successful payment amount by the success rate. With each re-presentation, the expected value declines. The lenders' expected value for the initial payment is \$152. For the first re-presentation following a failed payment request, the expected value falls to \$53. For the second re-presentation, the expected value is \$46.

TABLE 1: PRESENTMENT OUTCOMES

Payment Request	Succeed			Fail	Mean Size		Expected Value
	No OD	OD	Total	NSF	Succeed	Fail	
1 st	88%	6%	94%	6%	\$161	\$172	\$152
2 nd	21%	10%	30%	70%	\$176	\$152	\$53
3 rd	20%	8%	27%	73%	\$170	\$175	\$46
4 th	10%	7%	17%	83%	\$191	\$322	\$32
5 th	11%	5%	15%	85%	\$134	\$198	\$21

Table 2 shows the share of failed payment requests by online lenders that are re-presented.¹³ In the majority of cases, lenders re-present after a failed payment request. After the initial failed payment, 75% of failed payments are re-presented. After a second failed presentment, 66% of failed payments are re-presented. This means that of the presentments that failed on the first request, half are re-presented at least twice (i.e., have at least two additional payment requests). The failed payments for which there are subsequent requests by that lender are typically smaller than failed payments that do not have subsequent presentments by the lender.

TABLE 2: RE-PRESENTMENT RATES OF FAILED PAYMENT REQUESTS

Payment Request	Status		Mean Size	
	Re-Presented	Not Re-Presented	Re-Presented	Not Re-Presented
1 st failed request	75%	25%	\$167	\$186
2 nd failed request	66%	34%	\$147	\$163
3 rd failed request	50%	50%	\$158	\$191
4 th failed request	29%	70%	\$212	\$372

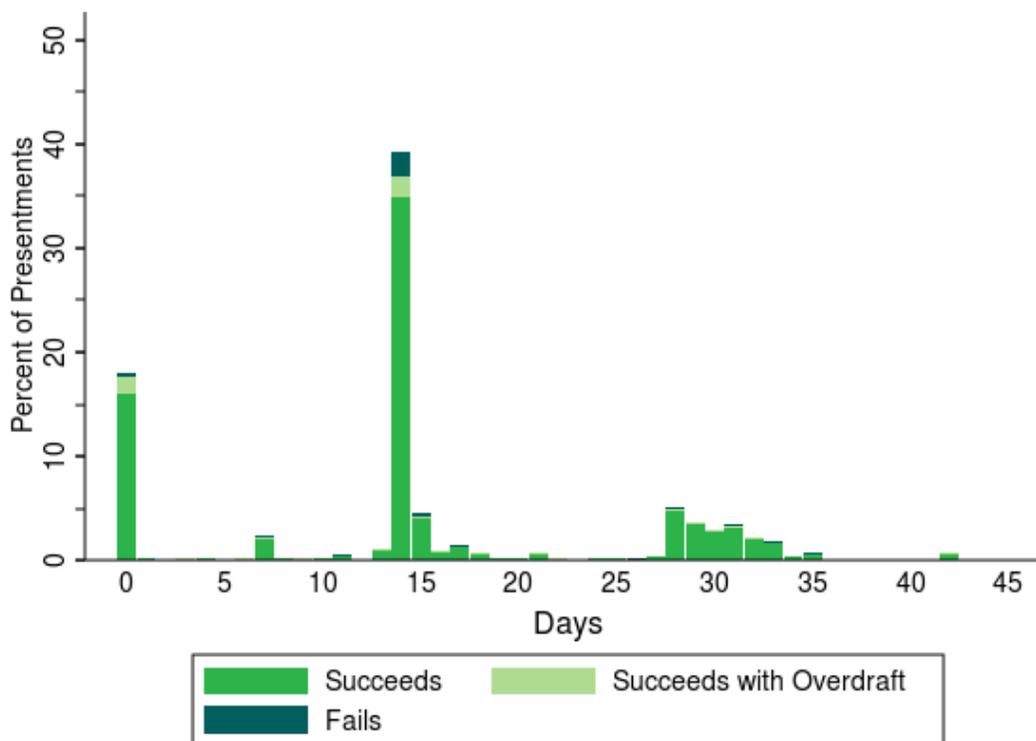
¹³ In addition to identifying payment requests as re-presented or not, payments may be categorized as unknown if the payment request occurs within the last 20 days of the data or if the account closes within 20 days following the failed payment request. In these two cases, we cannot determine whether the lender re-presents the payment request. This occurs in less than 1% of cases, and thus, this category is omitted from the table.

3.2 Time between Payment Requests

Online lenders offering high cost loans included in this analysis utilize a diverse range of payment structures, including single-payment balloon loans, amortizing installment loans with equal payments, installment loans with initial interest-only periods that end with balloon payments, and automatic rollover loans that renew the previous loan agreement or may convert the loan to a different payment structure. The specific type of loan cannot be identified from the sequence of payment requests. Most of these types of loans, however, have payments that are scheduled for the day that the borrower makes a regular deposit in the checking account, presumably of earnings or benefits: every 7 days for borrowers with weekly recurring deposits, every 14 days for borrowers with bi-weekly recurring deposits, every 15 days for borrowers with semi-monthly recurring deposits, or every 30-31 days for borrowers with monthly recurring deposits. After a failed payment request, lenders may attempt to collect again before the next scheduled payment, if any, is due or may simply wait to make a payment request on the day of the next regularly scheduled payment, if any. We observe that the majority of payment requests following successful payments occur on days when the account receives a recurring deposit, while significantly fewer re-presentments following failed payment requests occur on such days. To observe if the timing between payment requests changes after failed requests, we compare the number of days between payment requests after successful and failed requests.

Figure 2 shows the pattern of payment requests following successful presentments. The figure shows that multiple payment requests on the same day are quite common; 18% of payment requests occur on the same day as another payment request. The remaining share of payment requests following successful payments appear to follow pay cycles. It is common for lenders to collect payments on a bi-weekly basis; 44% of presentments following a successful payment occur between 14 to 15 days later. Much smaller shares of payment requests occur around 7 days (presumably following weekly pay cycles) and 30 days (which may reflect monthly pay cycles). Two percent occur 7 days following a successful payment request, and 20% occur between 28 and 33 days following a successful payment request.

FIGURE 2: NUMBER OF DAYS BETWEEN SUCCESSFUL ONLINE PAYDAY PAYMENT REQUESTS AND NEXT PAYMENT REQUESTS, BY OUTCOME OF NEXT PAYMENT REQUEST



Figures 3-5 show the number of days between failed payment requests and subsequent re-presentments. Figure 3 shows the number of days between an initial failed request and the next payment request from the lender. Re-presentments tend to come much sooner than do requests that follow a successful payment. While 60% of payment requests following a failed payment occur between 1 and 7 days after the initial failed request, only 3% of payment requests following a successful payment come that quickly. In contrast to the 44% of payment requests that occur between 14 and 15 days after a successful payment request, only 22% of payment requests following initial failed payment requests occur between 14 and 15 days, of which 67% fail and 4% succeed only through overdraft. Figure 4 shows a similar pattern for the timing of re-presentments following a second failed payment request. Most subsequent payment requests (55%) occur between 1 and 9 days after the second failed payment request. Only 20% of payment requests following a second failed payment request occur between 14 and 15 days, of which 84% fail and 5% succeed only through overdraft. Figure 5 shows that when a third

payment request has failed, lenders tend not to submit another payment request for 14 days. Over half of payment requests following the third failed payment request (53%) occur between 14 and 15 days after, of which 90% fail and 3% succeed only through overdraft. In Figures 3-5, re-presentments after a failed payment request rarely occur between 28 and 33 days later (less than 4%), and when they do, between 49% and 62% of the payment requests fail. Taken together, these results suggest that lenders are re-submitting payment requests following failed payment requests, especially for the first one or two failed payments, rather than simply waiting for the next scheduled payment date and submitting a payment request for that payment.

FIGURE 3: NUMBER OF DAYS BETWEEN INITIAL FAILED ONLINE PAYDAY PAYMENT REQUESTS AND RE-PRESENTMENTS, BY OUTCOME OF RE-PRESENTMENT

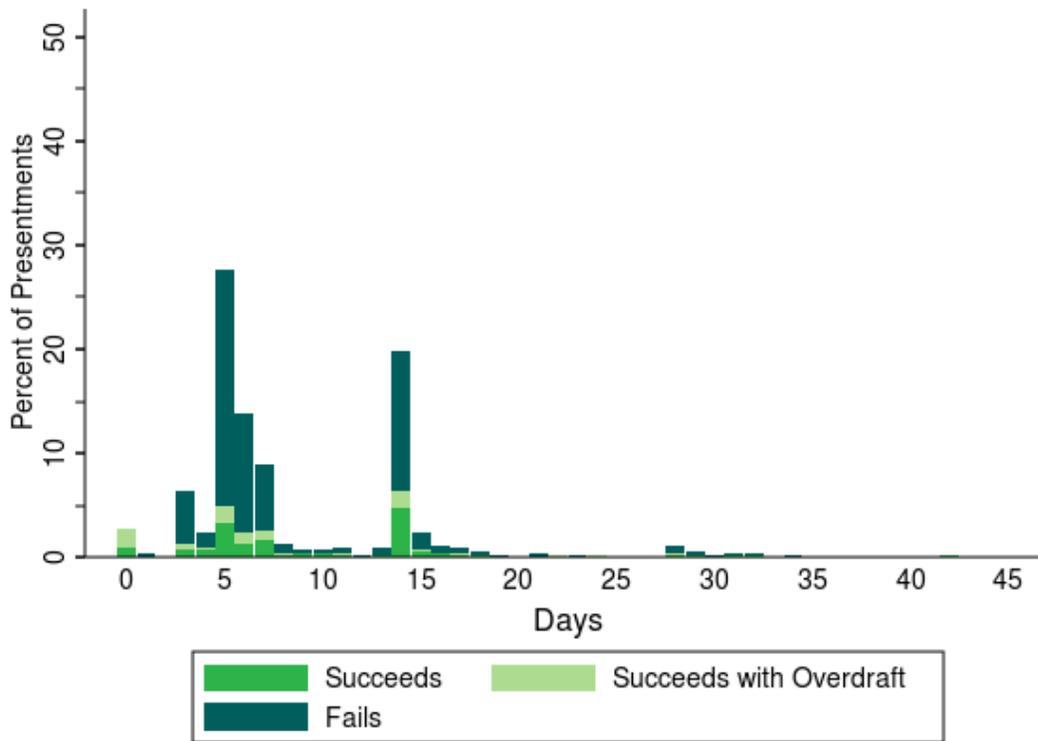


FIGURE 4: NUMBER OF DAYS BETWEEN SECOND FAILED PAYMENT REQUESTS AND THIRD PAYMENT REQUESTS, BY OUTCOME OF THIRD PAYMENT REQUEST

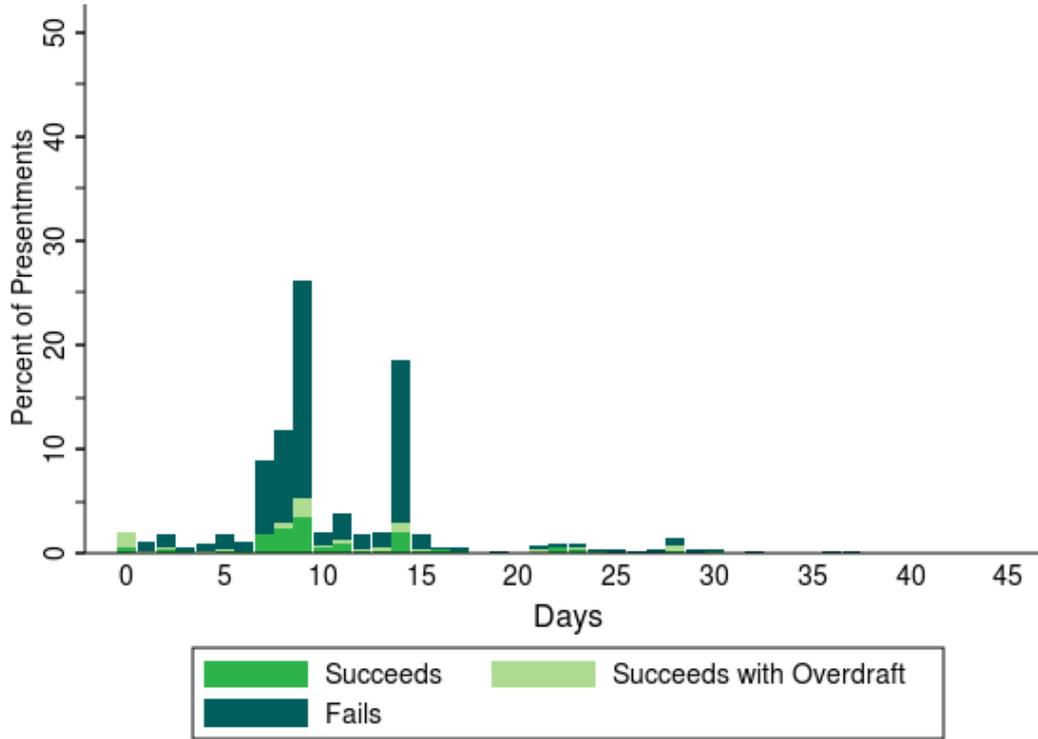
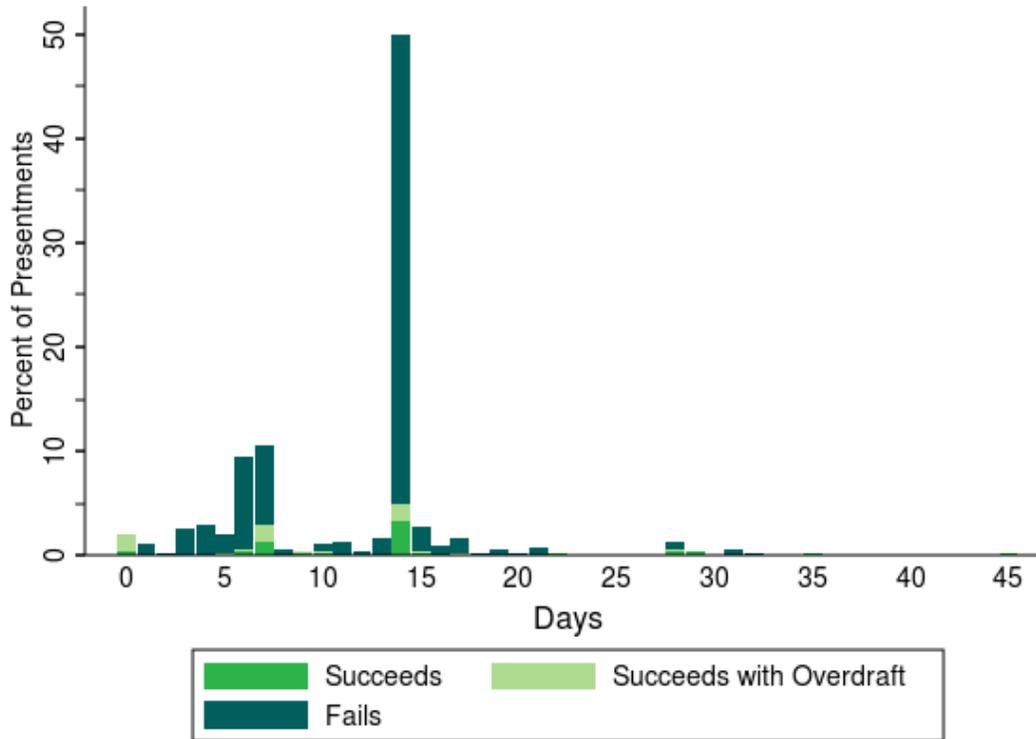


FIGURE 5: NUMBER OF DAYS BETWEEN THIRD FAILED PAYMENT REQUESTS AND FOURTH PAYMENT REQUESTS, BY OUTCOME OF FOURTH PAYMENT REQUESTS



3.3 Success and Failure Rates of Same-Day Payment Requests

We frequently observe multiple payment requests by a lender on the same day. Lenders may submit multiple payment requests on the same day for several reasons. For example, the lender may be splitting the amount due on the loan and the amount due in fees into two separate payment requests, or splitting the payment in some other way in an attempt to maximize the likelihood of successfully collecting at least some portion of the amount due (if, for example, there were sufficient funds in the account to only cover a partial payment). For presentments that are made on the regular due date of a loan payment that follows a failed payment request, the lender may be presenting both the prior failed payment and the next regularly scheduled payment. The borrower may also have more than one loan outstanding with the lender. As

noted above, our data do not indicate the reason of a subsequent same-day presentment, only the amount, type of transaction, and whether it was paid successfully, paid into overdraft, or returned for insufficient funds.

Table 3 shows the distribution of online payday presentments by the number of payment requests that occur on the same day. The majority of presentments (66%) occur on days with no other requests by the lender. Twenty-nine percent of payment requests occur on days with two payment request by the lender and four percent on days with three requests. In the most extreme case, we have identified up to 11 payment requests on an account in one day from the same lender.

TABLE 3: SAME-DAY PAYMENT REQUESTS

Number of Payment Requests on the Same Day	Fraction of presentments
1	66%
2	29%
3	4%
4+	2%

Table 4 shows the outcomes for multiple payment requests by the same lender on the same day. The table shows that same-day payment requests usually have the same fate: they are likely either to all succeed or to all fail. It is rare for some of the payments to fail while others succeed on the same account. In order for one payment to succeed and another to fail on the same day, the account balance would have to be within a narrow range around \$0 or if available, the overdraft coverage limit, such that there are sufficient funds or available overdraft coverage to cover only one payment. On days with multiple payment requests, 76% of payment requests occur on days when all of the requests succeed. All of the payments fail due to NSF 21% of the time. One payment succeeds while another fails 3% of the time. Multiple requests initiated by a lender on the same day that result in overdraft or NSF may result in multiple fees to the borrower from the depository institution.

As described above, if one payment request fails, additional payment requests on the same day are unlikely to succeed. Nearly one-fifth (18%) of borrowers experience multiple failed requests on the same day from the same lender.

TABLE 4: SAME-DAY PAYMENT REQUEST OUTCOMES

Payment Outcome	Same-Day Payment Requests
All succeed	76%
All succeed without overdraft	69%
All succeed only with overdraft	4%
Mixed: all succeed with some overdraft	2%
All fail	21%
Mixed: succeed and fail	3%

4. Frequency of Account Closure

In this section, we describe the correlation of account closures with the use of online payday loans and the pattern of payment attempts for such loans. We describe the overall frequency with which accounts close and the frequency of closure of accounts with non-sufficient funds transactions for accounts with and without online payday loans. We also describe the frequency of closure for several categories of accounts which had online payday payments; where there is online payday borrowing and all of the payments requests were successful without overdraft, where there are online payday loan payments resulting in overdraft but none fail, and where there are failed online payday loan payment requests. There is the potential for a number of confounding factors that may explain differences across these groups in addition to any effect of online borrowing or failed payments.

When a payment request results in overdraft or failure due to NSF, we also identify how often the account closes within 90 days following the first observed overdraft or NSF transaction and how often the account closes within 90 days following the last observed overdraft or NSF transaction. These two categories are not mutually exclusive, as an account with only one failed payment that is within 90 days of the account closure would be considered closing within 90 days of the first and last failed payment request.

An account may be closed by the depository institution for such reasons as having a negative balance for an extended period of time or suspected fraud. An account also may be closed voluntarily by the account holder. We distinguish between depository-initiated closures and voluntary closures in our results, but in practice there may not be a bright line between depository-initiated and “voluntary” closures. For example, an account holder can choose to stop depositing money into an account, which, if the account balance is negative or becomes negative as a result of ensuing presentments that result in NSF fees or ensuing monthly fees, will ultimately lead to the depository closing the account.

Table 5 shows account closure rates based on the different categories of account activity. Rates of voluntary account closures are similar regardless of whether the consumer has taken out an online payday loan or experienced an NSF. Depository-initiated account closures are markedly higher for accounts with online payday loan use than for the overall sample. Moreover, accounts with failed online loan payment requests experience much higher rates of depository-initiated account closure than accounts with only successful payments. While 6% of accounts with only successful online payday loan payments are closed by the depository, 36% with at least one failed online payday loan payment request are closed by the depository by the end of the sample period. For accounts with failed online payday loan payment requests, voluntary and depository-initiated account closures typically occur within 90 days of the first observed online payday loan transaction that fails, suggesting that the loan played a role in the closure of the account, or that payment attempt failed because the account was already headed towards closure, or both. Of the 42% of accounts with failed online payday loan payment requests that close by the end of the sample, 74% of account closures occur within 90 days of the first observed online payday loan transaction that fails.

TABLE 5: FRACTION OF ACCOUNTS CLOSED

	Voluntary Closure			Depository-Initiated Closure			Total
	All	Within 90 days of first online payday OD/NSF	Within 90 days of last online payday OD/NSF	All	Within 90 days of first online payday OD/NSF	Within 90 days of last online payday OD/NSF	
Overall	3%			3%			6%
With unrelated NSF but no online payday NSF	6%			9%			15%
With online payday	5%	1%	2%	17%	9%	11%	23%
With online payday but no online payday OD or NSF	5%			6%			11%
With online payday OD, but no online payday NSF	6%	4%	4%	13%	7%	8%	19%
With online payday NSF	6%	4%	5%	36%	27%	31%	42%