

Payday Loan Usage, State Law, and Financial Capability

**Jing Jian Xiao, University of Rhode Island¹
Barbara O'Neill, Rutgers University²**

Payday loans are costly for consumer borrowers and many states have laws banning or restricting their use. The purpose of this study was to examine effects of payday loan usage and state payday loan laws on financial capability variables among consumers. Data from the 2012 National Financial Capability Study indicated that payday loan usage status differentiated five financial capability variables while state payday loan law status did so for only three of them. The findings also suggest that state payday loan laws may help improve consumer subjective financial literacy and desirable financial behavior among payday loan users.

¹ Professor, Department of Human Development and Family Study, Transition Center, 2 Lower College Road, University of Rhode Island, Kingston, RI, 02881, USA. Phone: 401-874-2547. Email: xiao@uri.edu.

² Professor, School of Environmental and Biological Sciences, Rutgers University, Cook Office Building, 55 Dudley Road, New Brunswick, NJ, 08901, USA. Phone: 848-932-9126. Email: oneill@aesop.rutgers.edu.