

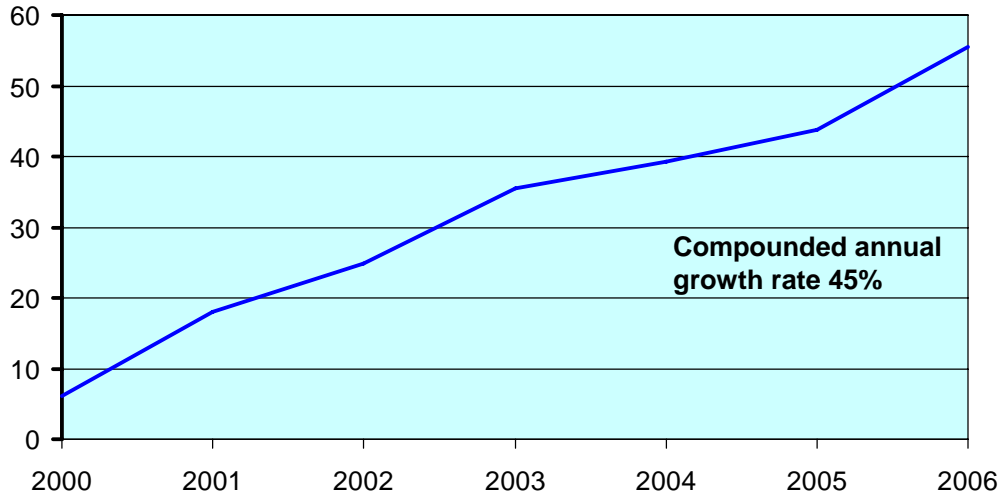
# Trends in Financial Behavior

April 9, 2008

Payday lending is growing rapidly in Minnesota, at an annual compounded growth rate of 45%.

**VOLUME OF PAYDAY LOANS**

\$ Millions

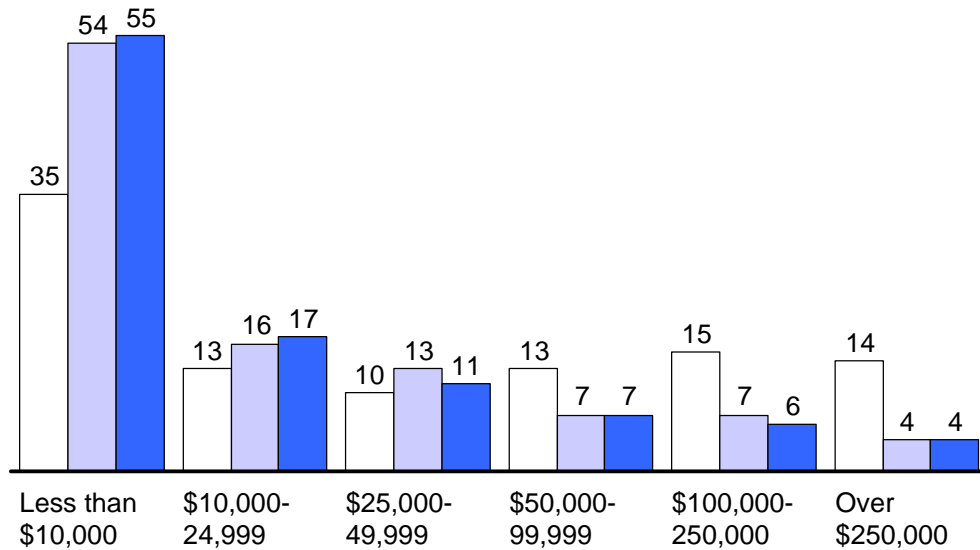


Source: Minnesota Department of Commerce

**MINORITIES ARE LAGGING BEHIND IN ACCUMULATING SAVINGS AND INVESTMENTS**

Percent

- All workers
- African-Americans
- Hispanics



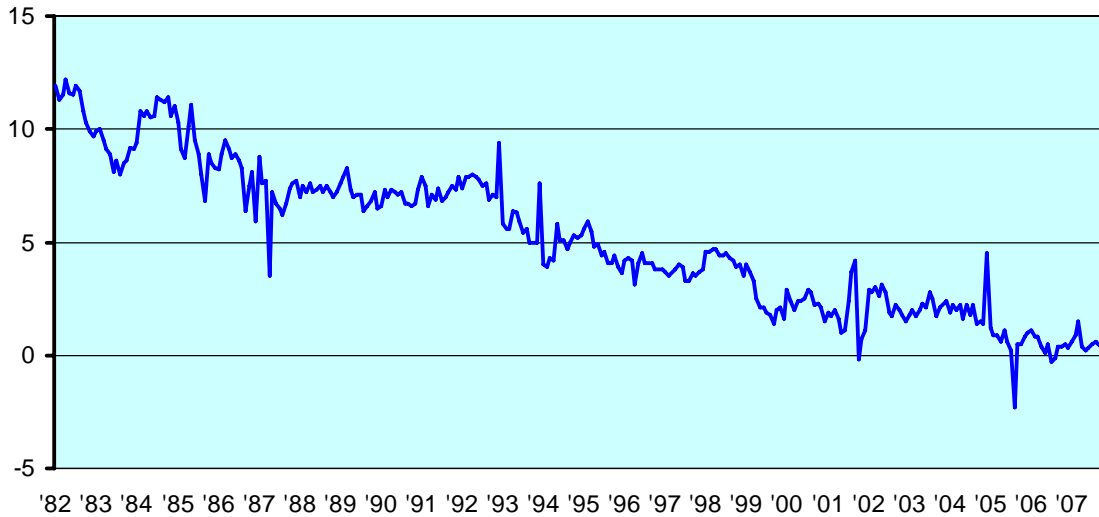
Source: *How Much Do Minority Workers Have in Savings, Investments?*, Fast Facts From EBRI, June 2007

**U.S. personal savings rates are at historic lows.**

Personal savings rates have been on a continual downward trend for nearly three decades, dropping into negative territory several times in the last two years. This previously occurred in 1932-33 during the Great Depression.

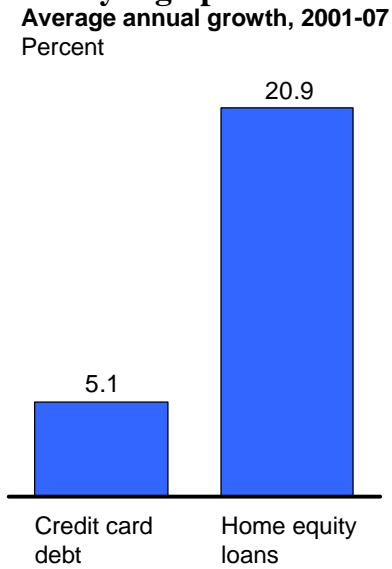
**U.S. PERSONAL SAVINGS RATE**

Percent of disposable personal income



Source: Federal Reserve Board; Bureau of Economic Analysis; Bureau of Labor Statistics

**Increased credit card debt and use of home equity loans are contributing to historically high personal indebtedness.**



\* Financial obligation ratio is the ratio of obligations (mortgages, property taxes, consumer debt, and auto leases) to disposable personal income

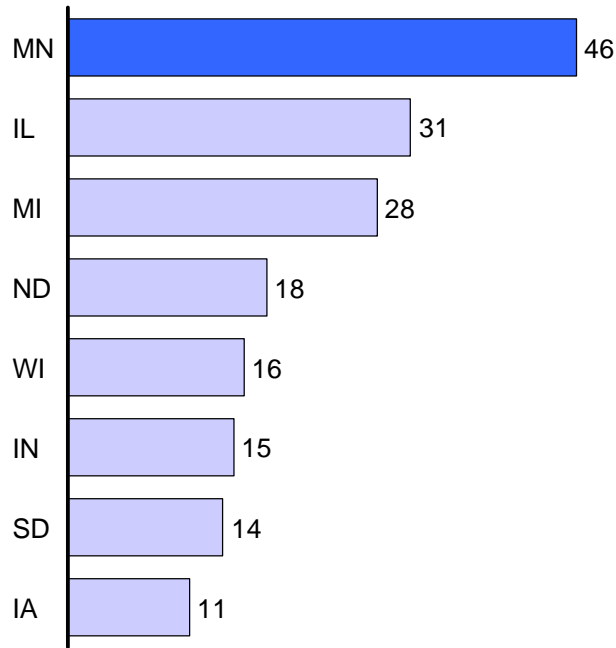
Source: Federal Reserve Board; FDIC; team analysis

**A large number of Minnesota residents are taking out high-risk mortgages.**

Compared to regional peers, Minnesota has the largest share of risky nonprime mortgages.

**AFFORDABILITY LOANS AS A SHARE OF NONPRIME MORTGAGE ORIGINATIONS**

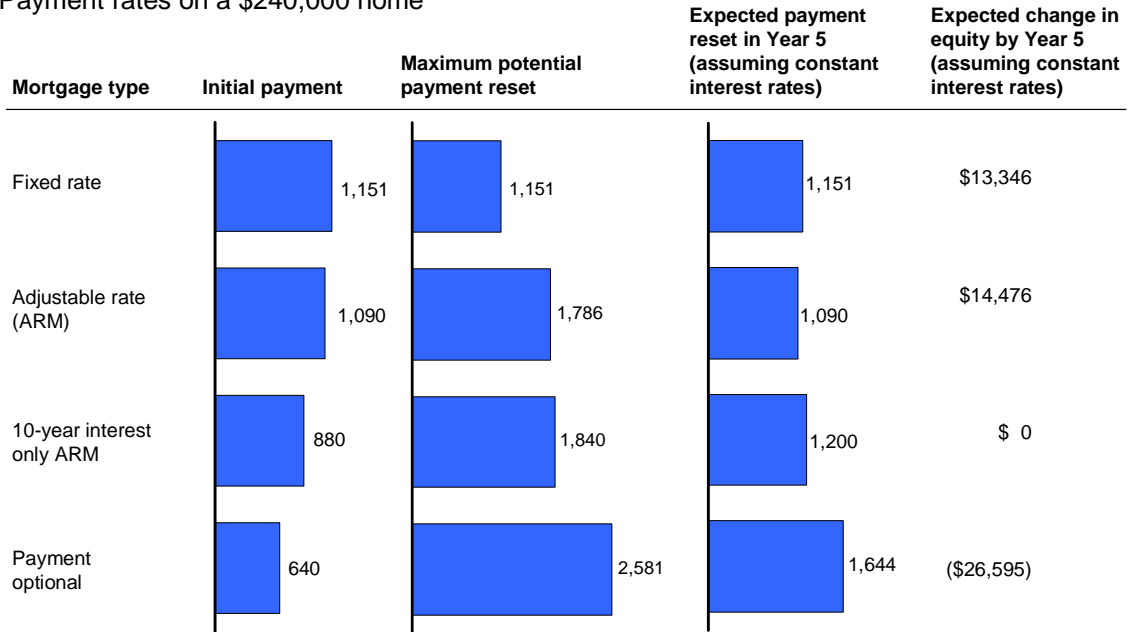
Percent



Source: Office of Federal Housing Enterprise Oversight; Loan Performance Corporation as per FDIC Outlook; data is Q4 2005

## CHOOSING THE WRONG MORTGAGE CAN DRAMATICALLY IMPACT A BORROWER'S FINANCIAL WELL BEING

Payment rates on a \$240,000 home \*

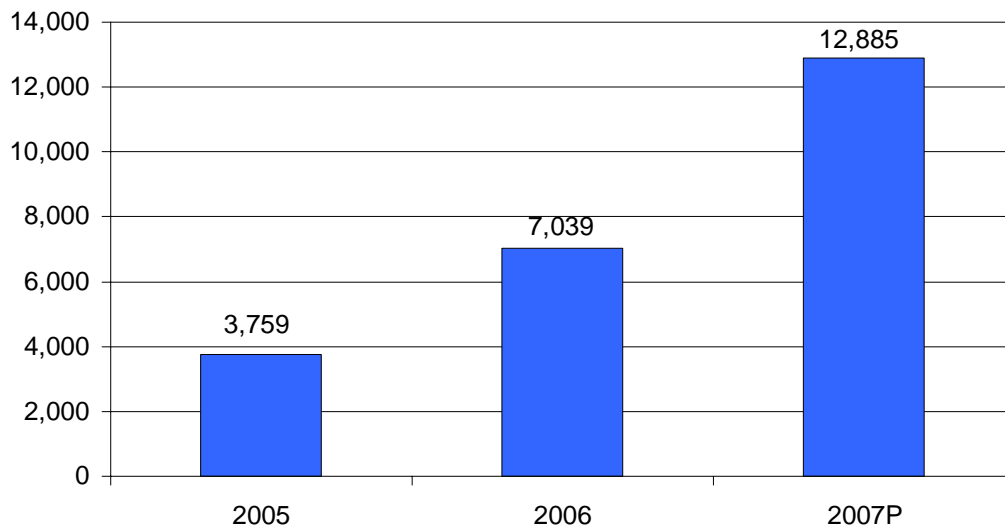


\* \$240,000 is median home price in the Twin Cities market; assumes a 20% down payment and 30-year term. Interest rate is the prevailing rate as of October 2006

Source: Mortgage-x.com; Bankrate.com; McKinsey & Company analysis

**RISKY BORROWING MAY BE CONTRIBUTING TO THE MAJOR GROWTH IN TWIN CITIES METRO FORECLOSURES WHICH MORE THAN TRIPLED FROM 2005 TO 2007**

**Number of sheriff's sales – 7 county Metro area**

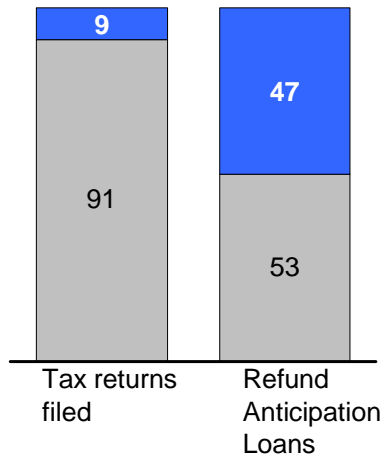


Source: HousingLink Minnesota; 2007 projection based on 9 months of data

## LOW INCOME INDIVIDUALS ARE MORE LIKELY TO USE ALTERNATIVE FINANCIAL SERVICES THAN OTHERS

■ EITC filers  
■ Non-EITC filers

**Use of Refund Anticipation Loans (RAL) by Earned Income Tax Credit\***  
**Twin Cities 7-county metro, 2004**  
 Percent

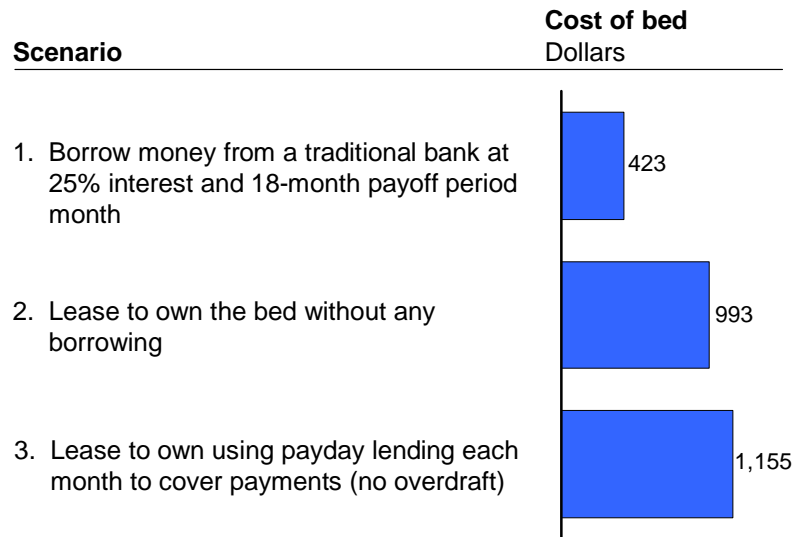


**On average, EITC filers who use RALS spend 26% of their tax refund on tax prep and RAL fees (approx. \$400)**

\* Only families earning less than \$35,000 per year are eligible  
 Source: Children's Defense Fund, IRS TY 2004 SPEC database, McKinsey & Company analysis

## USE OF ALTERNATIVE SERVICES INCREASES THE COST OF TRANSACTIONS – MAKING IT MORE DIFFICULT FOR INDIVIDUALS TO BUILD WEALTH

Total cost of \$350 bed using 3 different payment strategies with 18-month payoff



Note: Lease-to-own assumptions based on average prices at 3 Twin Cities stores  
Source: McKinsey & Company analysis