Exploring the Financial Landscape Facing Veterans in Nevada: Financial Literacy, Decision-making, and Payday Loans

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ABSTRACT

Financial studies on the stability and well-being of American veterans have focused on a variety of topics including the financial literacy, decision-making, and transitional preparedness. The financial literature began to assess the impact of predatory (payday) lending on active duty service members in the past two decades, which has led to Federal Legislation to help protect active duty personnel. A survey study conducted at the University of Nevada, Las Vegas sought to investigate the level of payday lending usage among Nevada veterans as well as determine relative financial literacy and decision-making practices of Nevada veterans. This article summarizes data gathered by this UNLV survey, which found a high rate of payday lending usage by veterans in Nevada. Additionally, critical variables and initial variable relationships were identified. The goal of this study is to provide a description of the financial landscape facing veterans in Nevada with the hope of encouraging future studies to further explore the results and relationships presented.

INTRODUCTION AND PURPOSE

This article highlights the results of a veteran financial stability conducted by the School of Environmental and Public Affairs at the University of Nevada, Las Vegas. The initial study was conducted as part of a graduate course and was sponsored by Schwab Bank and the Veterans Policy Leadership Institute (VPLI). Findings presented by the class were focused on payday lending utilization (summarized in section IV below). As the *Nevada Veterans Survey* included only a few variables from the survey, the goal of this article is to present a general overview of critical areas identified in the study as well as discussions about the transition from active duty life to veteran life as a civilian.

The purpose of this article is to present survey findings from the UNLV study on veteran financial stability along with historical discussions and current trends in transitioning from active duty. The article is designed to begin with a review of the literature surrounding active duty to civilian (veteran) transition, financial and payday lending (general), and previous studies on veteran finances (including payday lending). Following the review of literature, the Nevada Veterans Survey will be discussed in more detail and the methodology for the survey will be presented. Results as previously mentioned will be presented in a more general format to provide a more holistic view of the state of veteran financial stability in Nevada. Finally, a discussion section will explain survey results with special attention to active duty to veteran transition, payday lending, and general financial stability, which will be followed by a conclusion that will include study limitations and directions for future research.

LITERATURE AND HISTORICAL REVIEW

Active Duty to Veteran Transition

Transition from active duty to civilian life as a veteran has been the topic of conversation in programmatic design and research beginning in the 1960s. Project Transition, instituted in 1967, was the first program provided by the military to prepare military service members for life as veterans (Villimez and Kasarda, 1976). Veteran transition studies were popular research topics in the 1970s with focused investigations on military service as an indicator of higher pay and increased job opportunities post-military service. Similar to the Villimez and Kasarda study, many researchers sought to provide support for this positive relationship between military service and post-service income. Villimez and Kasarda (1976) argue the relationship between military experience and post-service income is related to length of military service. Building off of the work of Harold Wool, Villimez and Kasarda hypothesize the need for a program such as Project Transition was a result of military training and employment as compared to the private market. Supporting their argument was the work of Wool, who posited that military positions are either not found in the private market or are related to private market positions that constitute a significantly smaller percentage of the work force than found in the military. Little and Fredland evaluated veteran transition from the recruitment angle in a 1979 study that investigated earnings, status and race amongst veteran populations. By beginning with the recruitment procedures of the military, Little and Fredland argue the positive relationship between service and income is highly variant across eras of service and cohorts of study (1979). This variance across eras was most visible in comparing the World War II study results of Villimez and Kasarda (1976) and the Vietnam veteran outcomes presented by Little and Fredland (1979). In their results, Little and Fredman posit differences in the levels of national patriotism, labor force changes from post WWII to post-Vietnam, and changes in required job skills as possible externality explanations for income variations between these groups of veterans (1979).

In another research study from the 1970s, Jonathan Borus investigated potential issues facing active duty service members as they transitioned to civilian life as a veteran. His focus was on the psychological adjustments and support, or lack thereof, in preparation for and during this transition. Borus (1975) describes transitional periods in military service, especially career changes, as typical times of difficulties for service members. From a psychology perspective, he explains, past inabilities or ineffective coping strategies to deal with these transitional time periods can lead to what he deems maladjustment when transitioning to life as a civilian (1975). In addition to these personal circumstances facing transitioning veterans, are two additional factors that Borus depicts as impediments to the military planning and preparing service members for the transition to life after service. The first factor, he labels “the self-fulfilling prophecy apprehension” (Borus 1975), which he describes as the military’s belief as an institution that providing training or assistance for transition out of the military has the potential to lead service members to expect difficulties after leaving the military. Essentially, he presents the military’s inaction in terms of providing resources and support during this transition is in the best interest of service members. The second factor presented by Borus is the general assumption of the military as an institution that “the majority of healthy young American adults in the military are able to successfully adjust to each of the transitions without significant help” (1975, p. 99-100). He argues the outcome of this overarching assumption is to simply label those unable to transition smoothly after military service as “idiosyncratically deviant and therefore easily dispensable through extrusion back into the civilian sphere” (Borus 1975, p. 100).

As presented by Borus (1975), Villimez and Kasarda (1976), and Little and Fredland (1979), there has been an interest in the process of transition from active duty to civilian life post-service following the end of World War II. One component of the transitional process of interest has focused on the transferability of military skill-sets into the civilian workforce. Mangum and Ball (1987) sought to understand this idea of military transferability in comparison to other skill-set to employment transfer methods such as vocational education and employer-provided training. Their 1987 study presents military transition and connection to job market and opportunities as a complex integration of variables such as length of service, military training types, military position requirements, service member sex, and service member scores on the Armed Forces Qualification Test (AFQT). Magnum and Ball (1987) found significant differences in transferability between males and females. They found males trained in service/support, craft, or electrical/mechanical equipment repair experienced significantly higher transfer rates than males trained in administrative occupations. For females, they reported the significance in transferability was reversed (p. 430-431). Additional factors the increased transferability for males included completion of full enlistment where the model did not include year of military exit as well as the branch of service. Magnum and Ball (1987) reported, "Males trained in the Air Force were significantly more likely to transfer their military acquired skills to civilian employment than were individuals trained in the Army or Marines" (p. 431). For female service members, military training in fields such as management, sales and clerical occupations had significantly higher probability of skill-transfer to civilian employment than technical fields, service occupations, and other related craft or laborer fields. Additionally, AFQT scores were predictive of military skill transferability for women service members only (Magnum and Ball 1987). The result of the Magnum and Ball (1989) study was the similarity in transferability rate amongst military training and those of vocational and technical institutions or business colleges. This finding, "speaks to the viability of military relative to other training providers in facilitating entrance into—and movement through—the world of work" (p. 438).

Transitional preparedness training has been provided in some fashion by the Department of Defense (DoD) since the 1960s as presented by Villimez and Kasarda (1976). In the 1990s, DoD created a program known as Transition Assistance Program (TAP), which was revised in 2013 to include more modular-based and virtual training options. These programmatic changes have led to an, "outcome-based program that bolsters and standardizes the opportunities, services, and training that service members receive to better prepare them to pursue their post-military career goals" (About DoDTAP website). Major changes to program structure include two new curriculums, Transition GPS and Virtual Curriculum in addition to tangible outcomes, Career

Readiness Standards (CRS). One of the nine requirements of CRS is for service members to, "Complete an integrated 12 month post-separation budget" (Career Readiness Standards website). The Consumer Financial Protection Bureau (CFPB) recently created a financial coaching initiative with the goal of helping transitioning service members as well as the more than 68 million Americans who are currently financially underserved (CFPD, May 2015). CFPB reports approximately 250,000 service members transition to civilian life annually and their research indicates financial coaching and planning assistance, "could make the difference in successful transition to a financially stable post-military life" (CFPB, May 2015).

Financial and Payday Lending

Payday lending and other forms of lending often deemed as predatory in both society and financial literature have been growing in terms of number of storefronts and profits over the past two decades. The financial literature indicates payday lending was almost non-existent as of 1990. However, reports indicate there were approximately 10,000 storefronts in 2000, 12,000 to 14,000 in 2001, and 25,000 locations in 2006 (Stegman and Faris, 2003 & Melzer, 2011). Profits experienced within the payday lending industry have led to descriptions such as "a multibillion dollar industry" (Stegman and Faris 2003, p. 8) and estimates of $8 billion in 1999 and between $40 and $50 billion in 2004 (Melzer 2011, p. 524). There are numerous explanations for the expansive growth of payday lenders in the literature all of which point to business initiatives such as direct deposit, banks requiring accounts to cash checks, and an overall lack of policy regulation at both the state and federal level (Stegman and Faris 2003). Impacts to consumers as a result of borrowing behaviors can be evaluated from a variety of different angles.

The work by Stegman and Faris (2003) focused on the payday lending business model and the impacts on consumer decisions in terms of borrowing. In their study published in *Economic*

Development Quarterly, Stegman and Faris (2003) sought to determine the relationship between the payday lending industry business model and consumer lending habits with specific focus on chronic borrowing and perpetual indebtedness. Their study examined consumer variables such as income, race/ethnicity, and banking habits from which they were able to determine the typical payday lending customer has an annual income between $15,000 and $50,000 annually. The income level varied based on a number of other variables, such as geographic location (Stegman and Faris 2003). They were also able to ascertain that African American households were significantly more likely to access a payday lender than whites within similar socio-economic circumstances. Additionally, they reported Hispanics were the least likely to utilize payday lenders as compared to African Americans and whites, instead opting for similar services from pawnbrokers (Stegman and Faris 2003). A major component of their study sought to assess the level of chronic borrowing, which they found to be an indicator of perpetual indebtedness. From their review of this investigation, Stegman and Faris (2003) reported, "More problematic was the fact that once families used this easy-to-obtain credit, many became chronic borrowers. One sixth of all lower income White borrowers and nearly one third of African American customers either renewed their loan or paid it off and took out a new one at least once a month" (p. 15). Additionally, Melzer (2011) found a majority of payday lending customers within the $15,000 to $50,000 annual income range with only seven percent of customers from the below $15,000 annual income population. Significant concerns of borrower impacts were most significant amongst these repeat customer groups based on the high interest rates and fees assessed with each loan.

To explain the level of repeat customers, Stegman and Faris (2003) conducted a spatial assessment of the payday lending business model. They found a 'neighborhood effect' in terms of locational impacts on borrowing habits. This finding was not isolated to payday lenders and customers, but also appeared to interact with traditional banking locations. The existence of traditional banks was found to have a small, but significant effect on reduced numbers of payday lending storefronts. In areas of high density repeat customers, Stegman and Faris (2003) found a positive relationship between new storefronts and the lending rates. Their results indicated, "For each new neighborhood payday loan outlet opened between 1998 and 2000, the likelihood of having taken out a payday loan during that time increased by 6%" (Stegman and Faris 2003, p. 19). Impacts of the 'neighborhood effect', industry business models, and repeat customer behaviors were found to be highly related. Stegman and Faris (2003) posited, "The successful conversion of more and more occasional users into chronic borrowers" (p. 25) and the placement of storefront locations near borrowers are common themes to the industry model and increase financial performance of payday lenders.

Furthering the work of Stegman and Faris, Melzer (2011) investigated the costs of credit related to payday lending markets. He found, "Counter to the view that improving access facilitates important expenditures, the results suggest that for some low-income households the debt service burden imposed by borrowing inhibits their ability to pay important bills" (Melzer 2011, p. 517). The findings from his study indicate an even larger potential issue beyond the observed negative relationship between payday lending and financial stability. Melzer (2011) reported the consumer costs from accessing payday loans were most significant for the same population discussed by Stegman and Faris (2003). His results indicate, "Among families with $15,000 and $50,000 in annual income, loan access increases the incidence of difficulty paying bills by 25%" (Melzer 2011, p. 519). He also found payday lending usage increased the likelihood of delaying healthcare needs in addition to recurrent bills, including; "mortgage, rent, and utilities bills" (p. 520). Based on the results of his study, Melzer (2011) concluded that 40% of borrowers pay more than $500 and 10% paying more than $1,000 in annual interest charges. This additional $500 to $1,000 in annual expenditures is a significant increase in financial burden for a typical borrower who makes between $15,000 and $50,000 annually (Melzer 2011). The financial literature focused on the payday lending industry suggests there are more significant negative impacts than positive outcomes from access to payday loans. Additionally, the literature presents a strategic business model in which storefronts are located in areas with a high-density of potential customers, which has included and continues to include members of either active duty military or veteran populations.

Previous Studies: Military and Payday Lending Usage

In a 1997 study sponsored by Military Family Institute a research team sought to assess the financial climate of naval service members and their families. As documented in the financial literature review, financial instability and concerns have been found to create anxiety and stress for both individuals and families. Financial issues and difficulties amongst service members in the U.S. Navy were found to be significant when compared to civilian populations. Luther, et al. (1997) found the Navy was processing more than 123,000 Letters of Indebtedness annually and approximately 60% of security clearances were being revoked based on financial issues. Additionally, they reported, “43% of active duty personnel report facing problems paying monthly bills” (p. iv) and found financial difficulties were most impactful to service members’ operational readiness. As part of their report, Luther, et al. (1997) surveyed Navy active duty personnel to determine critical financial behaviors that can be indicative of poor financial management or overall financial instability (both for individuals and families). Service members were found to exhibit a variety of these financial behaviors including: “overuse of available credit; typically having a low or non-existent emergency fund savings account; inability to pay bills; receiving ‘overdue notices’ from creditors; denial of additional credit resulting from a poor credit history; and obtaining cash advances” (Luther, et al., p. 9). From the results discussed in the report, E-4 thru E-9 service members were found to be most at risk of financial instability, poor financial preparedness, and increased levels of stress and anxiety related to financial concerns. These findings presented by Luther et al. (1997) can be explained further by a 2005 legal study published in the *Ohio State Law Journal*.

Dr. Steven Graves (CSU-Northridge) and Professor of Law Christopher Peterson (University of Florida) coordinated on an investigation into the relationship between predatory lending and the military. Their goal was to build off of the detailed and long-ranging literature related to financial issues faced by both active duty service members and veterans in the United States with special emphasis on predatory lending. In their study of over 1,500 counties across 20 states, they found alarming rates of predatory lender densities in and around military communities and bases. Graves and Peterson (2005) also found four shared factors amongst military personnel that at least contribute to financial instability and predatory lending:

> (1) Demographic characteristics which predispose military service members toward high-cost indebtedness; (2) the form, amount, and distribution of military compensation; (3) dislocation faced by military service members and their families; and (4) military cultural considerations (Graves and Peterson 2005, p. 675).

In terms of military demographics, Graves and Peterson (2005) found that the military includes a large percentage of young Americans; a growing number of single-parent households; higher rates of demographic diversity in terms of both non-citizens and African Americans than the general population; and a high rate of enlisted personnel with limited educational background. Additionally, they reported these factors are found to be suggestive in the consumer finance literature of at-risk populations for personal indebtedness issues. Graves and Peterson (2005) found a spatial relationship between payday lenders and military establishments, which they believe indicates "the payday loan industry targets military personnel" (p. 822). The density of payday lenders was not only found a higher levels surrounding military bases, but also in the expanded military counties. They also found many military counties had lower than expected densities of banks, "Our study found that the ratio of payday lenders to banks was most lopsided in counties and ZIP codes with a military base" (Graves and Peterson 2005, p. 824). Compounding the potential financial problems created by a high density of predatory lenders near military communities is an overall lack of legal protection at both the federal and state levels, which Graves and Peterson (2005) leads to continued financial struggles and vulnerabilities for military service members.

In the decade since 2005, there has been substantial efforts to protect military personnel from predatory lending practices. Most notably the passage of the Military Lending Act (MLA) of 2007, which the Center for Responsible Lending reported was supported by the Department of Defense (DoD). The 2007 version of the MLA was in response to a DoD report that found "an estimated 17 percent of military personnel used payday loans" (Center for Responsible Lending, 2010) and called for a capped interest rate of 36% for consumer loans to military personnel. In 2015, the MLA was strengthen by legislators in Washington DC to close loop holes and ensure interest rates are capped at 36% for any loan provided to active duty service members. The Center for Responsible Lending President noted the significance of the increased regulations and called for more widespread reforms in a July 2015 press release. He posited, "The rules announced today will close the loopholes for good and ensure the MLA's 36% interest rate cap applies across the marketplace. A 36% interest rate cap is fair and responsible, and a powerful case can be made for applying it to all consumers, including veterans, who are not protected by the rules when they leave military service" (Center for Responsible Lending, 2015).

Previous Studies: National Foundation for Credit Counseling 2014 Surveys

The National Foundation for Credit Counseling (NFCC) sponsors an annual survey investigation to assess the financial literacy of Americans. In 2014 the Harris Poll conducted the nationwide survey from March 4th to March 6th (NFCC Consumer 2014). For the first time in 2014, NFCC created a survey prepared by the Harris Poll that was specifically targeted towards active duty military, which was conducted between April 7th and April 15th (NFCC Military 2014). There were some shared content and questions between the nationwide and active duty surveys to compare financial situations and circumstances faced by respondents. Carryover of credit card debt was found at significantly higher rates within active duty military as compared to civilians, nearly 60% and 34% respectively (NFCC Consumer 2014 and NFCC Military 2014). The most notable finding related to payday lending and financial literacy for active duty was that 6% of active duty respondents utilized a cash advance or payday loan company either online or at a storefront (NFCC Military 2014). The UNLV Veteran Financial Study utilized the 2014 NFCC active duty survey as a comparison study and build off of the results.

Nevada Veterans Survey (University of Nevada, Las Vegas)

The School of Environmental and Public Affairs at the University of Nevada, Las Vegas, conducted a survey research study to assess the financial stability of Nevada veterans. Working with the project sponsors, Schwab Bank and the Veterans Policy Leadership Institute, the goal was to determine the barriers veterans face in terms of building assets, accessing reputable financial products and services, and utilization of financial products. Additionally, the survey sought to identify patterns of financial literacy and preparedness within the Nevada veteran community.

Specific focus was centered on the use of payday lending and cash advance services by Nevada veterans. As part of the analysis five variables were identified as potentially indicative of payday lending usage. The five survey questions included in the final report are listed below:

- In which branch or component of the military did you serve? (Question 1)
- What was your final rank? (Question 3)
- Did you receive any formalized preparation training, resources, information, or support (TAPS) as you transitioned from active duty? (Question 6)
- How confident do you feel about your ability to meet your future financial obligations? (Question 20)
- How well prepared do you believe you are, financially speaking, for an emergency? (Question 21)

Results from the *Nevada Veterans Survey* indicate Nevada veterans are accessing payday lenders and/or cash advance services for their lending needs at higher rates than civilians and active duty service members as compared to the NFCC study findings. Additional findings, indicated a high rate or repeat payday lender usage in addition to a significant number of veterans living within walking distance of store fronts where they accessed payday lender services. Findings also indicated a larger percentage of Nevada veterans with current outstanding debts to payday lenders. Results also presented a lower payday loan rate amongst veterans who reported higher level of financial preparedness and confidence. Payday lending usage also varied among different veteran populations such as military branch of service and final rank, which provide some focus areas for future research to further understand the circumstances of these ‘at risk’ populations. There is also a need to conduct spatial analysis based on findings related to veteran proximity to payday lenders.

A known limitation to the results of this survey was the larger percentage of student respondents as a result of the partnership with Nevada System of Higher Education (NSHE) Institutions. However, the findings from the survey still indicate the existence of a problem with payday lenders and veterans in the State of Nevada. It is recommended that future research in the area of financial management and literacy be expanded to include a more diverse and representative population of veterans in the state. Additional recommendations include the inclusion of veteran data related to zip code of residence based on the findings of this survey.

METHODOLOGY

Coordination with Nevada System of Higher Education Veteran Program Offices and Nevada Department of Veterans Services

As previously described, the financial stability survey project, was conducted in concert with the Nevada Office of the Governor and the Veterans Policy Leadership Institute (VPLI). The VPLI is a research and policy institute focused on state and local systems change that will improve the education, employment and health and wellness outcomes of veterans in Nevada and across the country. Fitting within this mission and goal, the *Nevada Veterans Survey* was designed with the assistance and review of the Nevada Director of Military and Veterans Policy, the Director of the VPLI and UNLV's Veteran Program Director. They recommended utilizing other Veteran Program Offices from institutions across the Nevada System of Higher Education (NSHE). NSHE institutions include two universities and a collection of state colleges and community colleges in Northern, Southern and Rural Nevada.

Figure 1. Nevada System of Higher Education Institutions

Time-bound Survey Distribution

The survey was initially sent out to Nevada System of Higher Education (NSHE) Institutions across the state by way of Veteran Program Offices. As the survey was part of a graduate course at UNLV, there was a need to gather response data relatively quickly. For this reason, the survey was available for approximately 4 weeks beginning the first week of November 2014. In the final two weeks of the survey, a link was posted on the NDVS Green Zone Network website in coordination with the Nevada Department of Veteran Services.

Survey Question Types and Scope

Questions were designed to gather a number of socio-economic and demographic variables as well as military specific variables, most notably, branch of service, years of service, final rank, and last year of service. One specific demographic variable of interest in the survey was current zip code of residence. The logic behind this question was to address a possible urban regional planning issue with relation to payday lender storefront locations and veterans' residences. For the financial stability questions there were a mixture of newly designed questions, specifically focused on payday lending usage, and borrowed or modified questions from the NFCC 2014 Survey discussed previously. The goal of the survey was to determine relationships between socio-economic, demographic, and military specific variables and both financial stability and payday lending usage. Extensive question review with the UNLV Veteran Program Director led to a survey design to include skip-logic dependent upon respondent answers to specific questions. This provided comparison data both within specific question groupings and across the entire sample. Survey respondents were offered a $5 Starbucks gift card as an incentive to take the survey.

RESULTS

Demographics including Locational Data

Survey responses were collected from 7 of 17 Nevada counties (2.1% did not respond) with a total sample of 376 respondents. Based on the survey being distributed from Southern Nevada and with support of both University of Nevada, Las Vegas (UNLV) and the College of Southern Nevada (CSN) Veteran Program offices, 79.3% of respondents were from Clark County. However, Clark County is the largest county in Nevada with 72.6% of the state's population. Washoe County, the second largest county with 17.5% of statewide population, had 6.1% of survey respondents. A total of 13.4% of respondents either did not provide their current zip code or provided an erroneous zip code. The five rural counties (Douglas, Elko, Lyon, Mineral, and Nye) incorporated 1% of respondents and make up a collective 7.2% of the statewide population[1].

Age distributions (2.1% did not respond) were quite wide, ranging from 19 to 77 years of age, with the majority (67.9%) of respondents falling between the ages of 24 and 40. The largest

[1] All statewide population data is from the U.S. Census Bureau 2014 population estimates (http://factfinder.census.gov)

respondent age group was 29-34 years of age, which represented 26.6%. Survey respondents were also representative of a diverse community of veterans with 49.5% whites, 15.2% African Americans, 14.9% Asian or Pacific Islander, 14.6% mixed race, and 4.0% Native American or Alaskan Native (1.9% did not respond) with 18.9% of respondents consider themselves Hispanic (2.7% did not respond). In terms of gender distributions, the sample population was 61.7% males and 37.0% females (1.3% did not respond).

Student and Employment Data

As previously stated, the Nevada Veteran Financial Study was conducted in coordination with NSHE Institutions. This coordination effort lead to a sample population with a higher percentage of student veterans, 71.8% (270), than non-student veterans 18.2% (106). For the student sample it was important to evaluate the level of utilization of GI Bill benefits (n=270). Results indicated 78.9% of surveyed student veterans were currently using GI Bill benefits with 68.5% using the Post 9/11 GI Bill. The survey also sought to assess the current employment situation of survey respondents, which indicated 64.4% had some form of employment or were retired. Table 1 provides a detailed depiction of survey responses related to employment. Additionally, respondents were asked to report the range of their yearly income (n=376, 0.3% did not respond). The majority of respondents, 71.0% making less than $50,000

Table 1. Summary of Veteran Employment Status, (n=376)

Employment Status	Frequency	Percent
Employed full-time	140	37.2
Employed part-time	64	17.0
Not employed, but looking for work	64	17.0
Not employed and not looking for work	30	8.0
Retired military/Second career	26	6.9
Unable to work due to a disability or illness	26	6.9
Stay at home spouse or partner	14	3.7
Self employed	12	3.2
Total	**376**	

annually, with 57.7% of those veterans making less than $35,000 annually. Of those veterans who made greater than $50,000 annually (108), 74.1% made between $50,000 and $74,999.

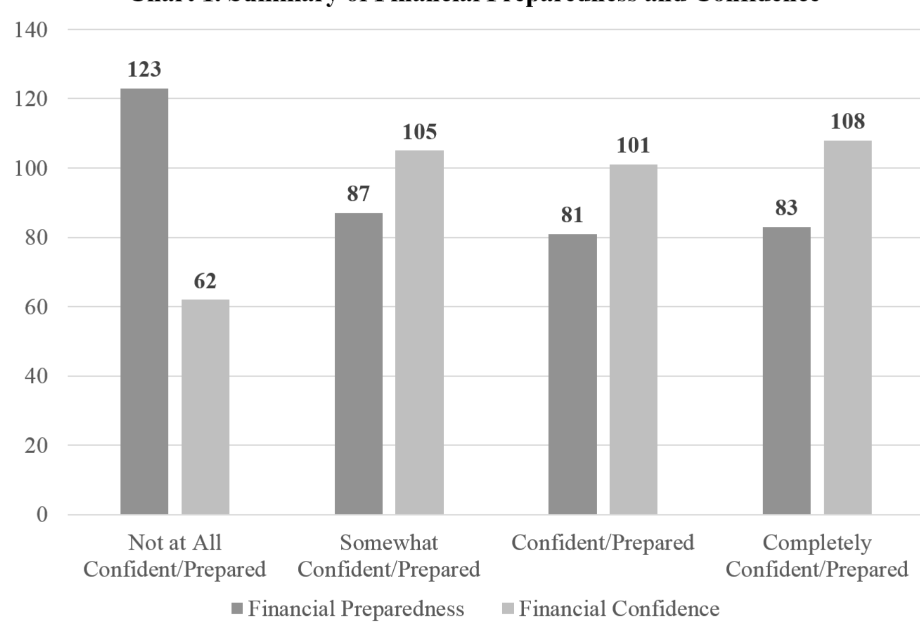
Military Service Data

In addition to assessing education and employment circumstance of Nevada veterans, the survey also sought to collect service related data to determine potential differences based on military service. Findings include a wide distribution of service amongst military branches with the highest representation coming from the Air Force at 24.5%, followed closely by the Army (22.9%), Navy (22.3%), and Marines (19.9%). The smallest military branch represented was a combined grouping of the National Guard, Reserves and Coast Guard at 10.4%. Final rank and total years of service were also included in analysis, which indicate the majority of respondents fit within the E-5 to E-9 ranks (53.5%), followed closely by the E-1 to E-4 ranks (39.6%). The remaining 6.9% of respondents were distributed between Wage Officers and Officers. Length of service (n=376, 2.1% did not respond) ranged from less than 1 year to 34 years with the majority of respondents, 67.8%, serving between 4 and 15 years. Additional questions related to military service included the last year of service and participation in Transition Assistance Program (TAP). TAP was first instituted in the early 1990s and was recently changed in 2013 (as previously discussed). A majority of surveyed veterans left active duty service (7.7% did not respond) between 1993 and 2012 (59.0%) followed by those who left service beginning in 2013 (26.9%). Veteran respondents were asked to indicate whether the TAP training was useful or not as they transitioned out of active duty service. There was a noticeable distribution difference is the percentage of yes and no responses when comparing veteran respondents who indicated they have utilized or use payday lending services. For those veterans who have not accessed a payday loan, 56.1% (227) indicated the training was useful as compared to 45.2% (33) of veterans who reported payday lending usage.

Critical Financial Variables

One of the goals of the Veteran Financial Study was to understand the current financial landscape facing Nevada veterans. Some of the key financial variables included to determine financial stability and assess the financial landscape included; use of financial services; self-reported financial preparedness and confidence; and financial decisions related to spending, saving and debt. The survey found that very few respondents currently utilize financial planning services (n=376) at 9.3%, however, 59.3% reported they would benefit from additional financial resources and services (n=376, 2.7% did not respond). Results indicate a general interest and importance of financial literacy and management amongst Nevada veterans. Financial stability is often discussed in the literature as a combination of preparedness and confidence in addition to financial literacy, management and decision-making. Self-reported levels of financial preparedness and confidence are displayed in Chart 1 below. These variables were discussed in detail in terms of their interaction with Payday lending usage in the UNLV *Nevada Veterans Survey*.

Chart 1. Summary of Financial Preparedness and Confidence



Payday Lending Variables

One of the specific areas of focus for this study on veteran financial stability in Nevada was payday lending usage amongst the veteran population. As previously noted, survey respondents represented 7 of 17, or 41.2% of Nevada counties. Within the 7 counties represented in the survey there are 93%, 600 storefronts, of statewide payday lenders statewide (Same Day Payday Lending website). Payday lending usage was found in 57.1% (4) of represented counties, which include 90.9% (586 storefronts) of payday lenders found in Nevada. Of the 376 Nevada veterans included in this report, 73 (19.4%) reported using payday lending services. A detailed summary of payday lending utilization rates by county is displayed in Table 2.

Table 2. Payday Lending Usage by Nevada County, (n=73)

Nevada County	Frequency	Percent
Clark County	64	88.9
Washoe County	6	8.3
Elko County	1	1.4
Nye County	1	1.4
Total*	**72**	

* One respondent record was reported as "Missing"

In addition to assessing the rate of payday lending usage amongst Nevada veterans, this survey sought to understand the reasons for accessing these services. Respondents who indicated they had applied for and received a payday loan were asked a series of payday lending specific questions. These questions were directed at identifying key indicator variables that either lead to or result from payday lending utilization. The majority, 56.2%, of veteran payday lending customers indicated they walked to the storefront and 38.4% reported having an active debt to a payday lender. More than half (54.8%) of veterans indicated they went directly to a payday lender. The requested loan amounts varied from less than $200 to more than $1,000, however, the most common dollar amount requested was less than $200 (31.5%). There was an equal distribution of loan amounts from $200 to less than $400 (20.5) and $700 to less than $1,000 (20.5%). Responses to questions related to reasons for accessing a payday lender (Table 3) and the source of knowledge or recommendation of payday lenders (Table 4) are displayed below.

Table 3. Reasons for Accessing a Payday Lending Service, (n=73)*

Reason for Using Payday Loan	Frequency	Percent of Respondents	Percent of All Responses
Unexpected Expenses	41	56.2	24.3
Difficulty paying monthly bills (gas, heat, electricity)	34	46.6	20.1
Difficulty paying for housing	25	34.2	14.8
Difficulty paying for debt (credit card, vehicle loan, student loans)	24	32.9	14.2
Needed extra money for school supplies	15	20.5	8.9
Needed extra money for leisure (entertainment or travel)	11	15.1	6.5
Needed extra money for seasonal or holiday gifts	10	13.7	5.9
Medical Emergency	9	12.3	5.3
Total	**169**		

*Question was asked to elicit multiple responses from survey participants.

Table 4. Source of Awareness of Payday Lending Services, (n=73)*

Source of Payday Lending Awareness	Frequency	Percent of Respondents	Percent of All Responses
Television advertisement	26	35.6	25.2
Family and/or Friends	21	28.8	20.4
Previous experience	20	27.4	19.4
Billboard advertisement	16	21.9	15.5
Posted Flyer	13	17.8	12.6
Mailed Flyer	7	9.6	6.8
Total	**103**		

*Question was asked to elicit multiple responses from survey participants.

Additionally, a variety of both socio-economic and demographic responses were assessed along with payday lending usage. There was a wide distribution of payday lending usage across race and ethnicity (n=73, 1 missing): 52.1% White, 19.2% African American, 12.3% Mixed Race, 9.6% Asian or Pacific Islander, and 5.5% Native American or Alaskan Native, along with 19.2% of Hispanic respondents. In terms of gender (n=72, 1 missing), more males (57.5%) took out payday loans than females (41.1%). Results indicated an extremely high number of payday customers were students at 93.2%, with 64.4% reporting they did not have a college degree. Of the Nevada veterans who accessed a payday lender, 46.6% were not working at the time of the survey. Included in this group of respondents were veterans who were: not employed and not looking for work (20.6%), not employed but looking for work (35.3%), unable to work due to a disability or illness (35.3%), and stay at home spouses or partners (8.8%). A high percentage, 83.6%, of veterans who accessed payday lenders reported annual income of less than $50,000.

Finally, payday lending usage was assessed based on military service related variables to determine possible relationships between variables. The cross-tabulation results discussed in this section were initially published as part of the UNLV Nevada Veterans Survey and have been included to provide additional support for identified variable interactions. Before delving into the cross-tabulations, there are some noteworthy descriptive findings that need to be presented. When asked about past utilization of payday lending services, 34.2% (25) reported either personally or someone in the household taking out a payday loan while on active duty. In comparison, when asked about utilization after leaving active duty service, 57.5% (42) reported a payday loan taken out either individually or by household since becoming a veteran. Additionally, 49.3% (36) of respondents also indicated they or someone in their household accessed a payday lender and took out a loan in the past 12 months. Alarmingly, 54.8% (40) also reported pursuing no additional lending options before borrowing from a payday lender. It should also be noted, that survey results found a high rate of veterans surveyed with active payday lending debts, 38.4% (28) in addition to 56.2% (41) indicating they learned of payday lenders either from previous experience or from family and/or friends.

As discussed previously in the Critical Financial Variables section of the Results, there were identified relationships between self-reported financial confidence and financial preparedness with payday lending utilization. The cross-tabulation results using a chi-square test for independence can be found in the tables below. The chi-square test was performed and found significant relationships between payday lending usage and self-reported financial confidence, X^2 (3, N=376) = 15.950, p ≤ 0.001, and self-reported financial preparedness, X^2 (3, N=376) = 42.623, p ≤ 0.001. These cross-tabulations have been re-run to remove any potential differences between respondent populations between the UNLV *Nevada Veterans Survey* and this report.

Table 5. Cross-tabulation, Payday Lending Usage and Self Reported Financial Confidence***

		Self-Reported Level of Financial Confidence				Total
		Extremely Confident	*Confident*	*Somewhat Confident*	*Not at all Confident*	
Payday Lending Usage	*Yes*	12	14	27	20	73
	No	96	87	78	42	303
Total		108	101	105	62	376

***X^2 (3, N=376) = 15.950, p ≤ 0.001

Table 6. Cross-tabulation, Payday Lending Usage and Self Reported Financial Preparedness***

		Self-Reported Level of Financial Preparedness				Total*
		Extremely Prepared	*Prepared*	*Somewhat Prepared*	*Not at all Prepared*	
Payday Lending Usage	*Yes*	7	3	17	45	72
	No	76	78	70	78	302
Total		83	81	87	123	374

*Total excludes 2 records reported as "Missing"
***X^2 (3, N=376) = 42.623, p ≤ 0.001

DISCUSSION

Study Results Fit within Literature and History

There is a more than half century of program support for veterans as they transition from active duty service (Villimez and Kasarda 1976, Little and Fredland 1979, Borus 1975, and Luther *et.al* 1997). The transitional programs have increased in both time length and covered content areas (Department of Defense 2015, Villimez and Kasarda 1946), however, results from this study indicate there are a high number of veterans for who this training is having little impact. Coupled with a history of financial issues facing veterans and their families dating as far back as the Revolutionary Era (Luther, *et.al.* 1997), there is an inherent need for financial support resources amongst veterans. Going forward, the number of veterans will continue to increase yearly by an anticipated 250,000 annually, many of whom will be in need of services and resources. The literature supports the results presented in terms of the importance of financial preparedness and literacy for active duty service members as they transition in addition to continued financial resources and support for veterans (Luther, et al. 1997; Villimez and Kasarda 1976; Little and Fredland 1979; Borus 1975; NFCC Military Survey 2014; Stream, Gardner and Ralphs 2015; Center for Responsible Lending 2010; Center for Responsible Lending 2015; Consumer Financial Protection Bureau 2015).

The current population demographics of the Nation's Military is at possibly its highest level of diversity in history. Many of these service members enlisted directly out of high school and have known no other profession than active-duty military service. Transitioning from a structured life, which included a Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS), to the chaotic nature of civilian life is a complex experience. These complexities can be anticipated to effect veteran groups differently. For the service members who enlisted directly from high school from working class or impoverished families, the complexities of transition may be intensified. An interesting finding from this study found a potential relationship between veteran review of TAP program and utilization of payday lenders. Veterans who accessed payday lenders reported that TAP program training was *NOT* helpful by an increase of 10.9% as compared to those veterans who did not use payday lending services, which is indicative of a possible problem. Discerning and further developing the potential relationships between these variables, which was not conducted as part of this study, ought to be considered in future studies.

Financial research on the role of payday or predatory lending has increase over the past nearly two decades as the industry has expanded rapidly over the same time period as reported by Stegman and Faris (2003) and Melzer (2011). Predatory lending issues for active duty service members have been more prevalent (Luther, et al. 1997, Graves and Peterson 2015) than veteran related studies. In 2007, the Federal government passed the Military Fair Lending Act, which was re-authorized and upgraded in 2015 (Center for Responsible Lending 2010 and 2015) to provide predatory lending relief to active duty service members. While this legislation has lessened the financial burden of payday loans on active duty life, it has not had an impact on veteran financial stability. Additionally, it has not stopped active duty usage of payday loans as found by the NFCC Military survey (2014), which reported a 6% use rate among active duty service members. The capped interest rates at approximately 36% as required by the Military Fair Lending Act 2015 (Center for Responsible Lending 2015) does not apply to veterans, who are presented with financial decisions and setbacks that ultimately lead to payday lending usage. Additionally, the NFCC Consumer Survey (2014) found approximately 4% of civilians accessing payday lenders, which is lower than both the NFCC Military Survey (2014) and the 20% of Nevada veterans reported by the UNLV *Nevada Veterans Survey* (Stream, Gardner, and Ralphs 2015). From the results of this study, 34.2% reported accessing, either personally or someone in their household, a similar loan while servicing on active duty. This finding is supportive of the financial and payday lending literature (Stegman and Faris 2003, Melzer 2011, Luther, et al. 1997, and Graves and Peterson 2005), which presents payday lending usage as a cyclical process.

Additionally, results indicate a potential urban and regional planning issue related to payday lending store fronts with 56.2% of respondents reporting they walked to the storefront. This finding, along with the payday lending density findings by county presented in the previous section, can be compared to the Graves and Peterson (2005) study, which found higher densities of payday lending stores in counties with military establishments or high percentage of military residents. Finally, the results presented in ‘Table 3. Reasons for Accessing Payday Lending Service’ further supports the predatory lending literature (Luther, et al. 1997, Stegman and Faris 2003, Melzer 2011, and Graves and Peterson 2005). Results indicate Nevada veterans are using payday loans to pay for monthly bills, including; housing, utilities, student loans, credit cards, or other loan payments. These results further the findings of previous research and provide support for the need for services and resources, either through policy or programs (DoD About TAP 2015, Center for Responsible Lending 2010 and 2015, Consumer Financial Protection Bureau 2015), to assist veterans with their financial stability.

Policy Considerations and the Nevada Legislature

As a result of the work completed by the fall 2014 course, an Assemblywoman from Clark County, Nevada developed a well-supported bill for consideration by the Nevada State Assembly. The bill garnered support from a nonprofit group, Opportunity Alliance, who spearheaded the effort to present the UNLV *Nevada Veterans Survey* (Stream, Gardner and Ralphs 2015) results for the assigned committee. The Assembly Bill (AB-318) was proposed to match the Federal standards for active duty payday lending interest rates regulated by the Military Lending Act of 2007. The capped interest rate of 36% was met on the committee floor by concerned representatives from the payday lending industry. Around the same time, the U.S. Congress was working to refine and extend the Military Lending Act of 2007, which was passed by both chambers of the U.S. Congress as the Military Lending Act of 2015 (Center for Responsible Lending 2015).

Although AB-318 was tabled in committee and never made it to a vote by the Nevada Assembly, students from the class had their work discussed in the state legislature. Student authors represented UNLV at the committee hearing, one of whom travelled to Carson City to testify in front of the Committee on Commerce and Labor. While the legislation was not passed into Nevada law, there remains a potential policy issue related to payday lending usage by veterans. Consideration ought to be given to the long-term and life-altering implications of financial stress, instability and usage of predatory lending services as policymakers prepare for the 79th Legislative Session in 2017. From the findings presented and literature reviewed in this article, there is a higher than anticipated rate of payday lending usage among Nevada veterans, which has been found to lead financial instability and recurrent debt cycles.

CONCLUSION

The study from which the data presented was acquired had limitations in terms of both time and scope, based on the semester long course at UNLV. Additionally, the study conducted as part of the UNLV graduate course was exploratory in nature. The sponsors of the research were interested in understanding the financial landscape and stability of Nevada veterans. The survey was designed to address the possibility of a payday lending usage issues and included some critical variables to understanding decisions and circumstances surrounding financial strain, instability and payday loans. A substantial limitation of this study beyond those previously mentioned, is the descriptive nature of the statistics available, however, this was an expected outcome from the designed survey. In lieu of the limitations surrounding this study, there are a number of benefits the results provide to future studies. There appears to be a potential payday lending problem among veterans in Nevada, which should be addressed in future studies with more attention to a wider population of veterans, both in terms of non-student veterans as well as those from rural and Northern Nevada.

From this study, additional research could be done to determine possible recommendations for either program or policy development to assist veterans with their finances. As presented throughout this article, financial hardships can be a catalyst for numerous other social issues, including; marital and family issues, bankruptcy and other financial issues, and increased risks of health issues. Although this study had known limitations, the results and findings do provide a critical "first look" into the financial landscape facing veterans in Nevada.

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