PAYDAY LOANS IN INDIANA

IT'S TIME TO STOP THE DEBT TRAP

PAYDAY LOANS are sold as a **solution to a financial shortfall,** but the average borrower **borrows repeatedly** and is in debt for **five months.**

391% APR

The annual percentage rate (APR) for payday loans **in Indiana** is capped at **391%**. This is simply **TOO HIGH**.

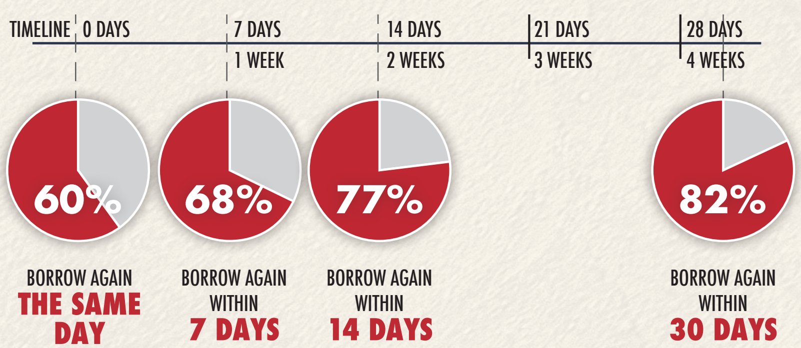
Profile of the Typical Payday Loan Borrower

- Rents housing
- Education less than a college degree
- Household income below $40,000 per year
- Recently separated or divorced
- Has fallen behind on bills

Indiana Payday Loan Re-borrowing Rates

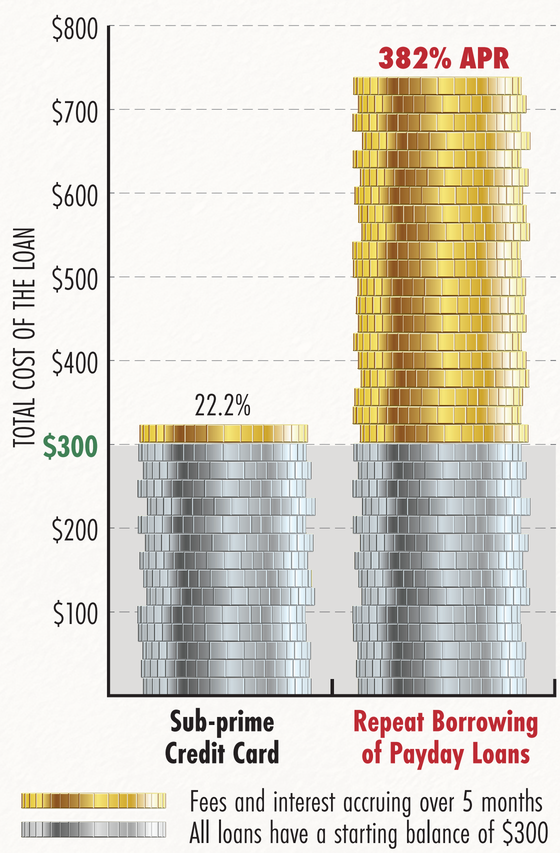
82 percent of payday loan borrowers borrow another loan within 30 days of paying off the first. That initial loan, intended to be a short-term cover for financial shortfall, can easily become a long-term financial burden.

Days Passed Since Paying Off Payday Loan Before Borrower Borrows Again



COMPARE: Total Cost of a $300 Loan by Debt Type

Payday loan borrowers typically reborrow again and again, taking an average of 10 loans a year and spending five months in debt. That amounts to about **$440 in fees**, when the same balance carried on a sub-prime credit card would cost about $20.



Indiana Institute for Working Families
Research and Public Policy
A Program of INCAA INDIANA COMMUNITY ACTION ASSOCIATION

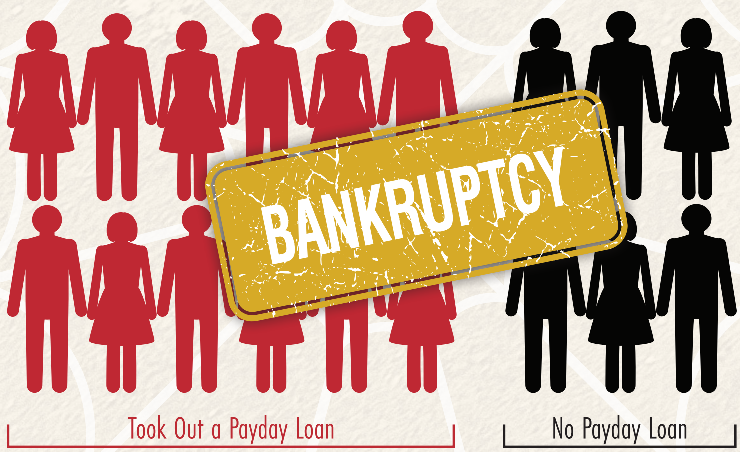
SOURCES: Typical Borrower: Pew Charitable Trusts, 2012
Re-borrowing Rates: Consumer Financial Protection Bureau, 2016

PAYDAY LOANS IN INDIANA

THE EFFECTS ON OUR ECONOMY

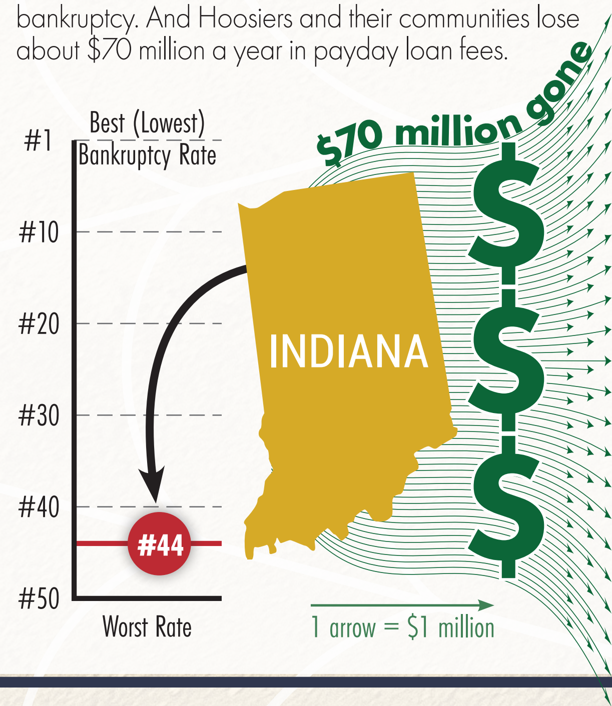
Payday Loans May Drive Borrowers into Bankruptcy

In one study, the number of people declaring Chapter 13 bankruptcy **DOUBLED AMONG PAYDAY BORROWERS** compared with similarly situated applicants who did not qualify for a payday loan.



How does Indiana fare?

Not well. Indiana ranks 44th in the nation for bankruptcy. And Hoosiers and their communities lose about $70 million a year in payday loan fees.



Payday Loan Borrowers Are More Likely To...

Face serious **credit card delinquency** within one year (twice as likely)

Use Supplemental Nutrition Assistance Program (**SNAP**)

Lose their bank accounts due to multiple overdrafts

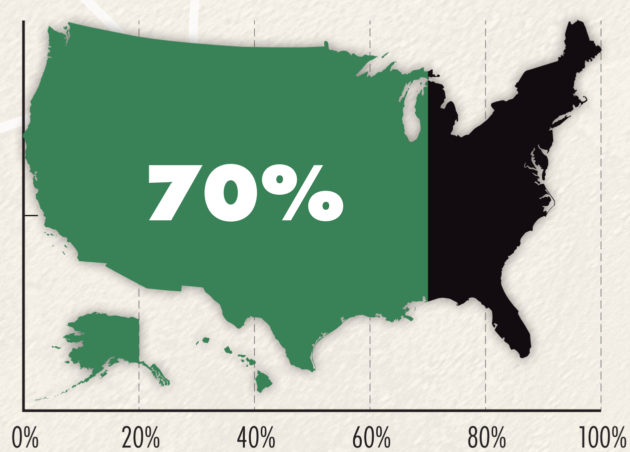
Fall **behind on rent**

Fall **behind on child support**

Delay medical care

Most Want Stronger Payday-Lending Regulation

70% of Americans — including 70% of payday borrowers — want regulation of this industry.



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SOURCES: Americans Wanting Regulation: Pew Research Center, 2017
Center for Responsible Lending, 2016