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

FOR IMMEDIATE RELEASE: July 7, 2020

Press Statement

Contact: Erin Macey, emacey@incap.org, (317) 270-0874

Consumer Financial Protection Bureau Declines to Protect Hoosier Families from Predatory Lending

36% APR Cap More Essential Now Than Ever

Indianapolis, IN - Today, the Consumer Financial Protection Bureau (CFPB) gutted a proposed protection against predatory lending, leaving Hoosier families exposed to the harms of payday lending. The 2017 Payday Rule, which was finalized but did not take effect, would have required that lenders verify a borrower's ability to repay a loan before issuing it. Today, the CFPB issued a final rule without ability-to-repay requirements.

"Struggling Hoosier families need real assistance - not loans they cannot afford at unconscionable interest rates," said Jessica Fraser, Director of Indiana Institute for Working Families. "Today's move by the Consumer Financial Protection Bureau to gut the payday rule by stripping the ability-to-repay requirement will not only be devastating for families, it will ultimately hurt us all."

Organizations and individuals throughout the state of Indiana have called on state and federal lawmakers to pass an interest rate cap of 36% or lower on small dollar loans, which has effectively protected residents of sixteen other states and military servicemembers from the payday debt trap.

In 2002, the Indiana General Assembly granted payday lenders an exemption to Indiana's loansharking law, which makes it a felony to issue loans at or above 72% APR. Under current Indiana law, payday lenders can loan out up to 20% of a borrower's income up to a cap of $605 and these loans can reach up to 391% APR. Payday lenders in Indiana have drained over $300 million in fees from Hoosier communities over the past five years. The median borrower income is estimated to be just over $19,000 per year.

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