

Dear Members of the Indiana General Assembly,

The undersigned organizations ask for your support to establish a 36 percent APR cap on small loans in Indiana. These loans are currently offered at rates of up to 391 percent APR. **We also ask you to reject any bills establishing new loan products or expanding the allowable fees or interest on existing loan products if they exceed this 36 percent threshold, and apply the 36 percent threshold only to small loans.**

The negative effects of high-cost loan products are well-documented. A large body of research has demonstrated that **high-cost loans create a long-term debt trap that drains consumers' bank accounts and causes significant financial harm**, including delinquency and default, overdraft and non-sufficient funds fees, increased difficulty paying mortgages, rent, and other bills, loss of checking accounts and bankruptcy. Indiana currently has one of the highest bankruptcy rates in the country. The Indiana General Assembly is well positioned to strengthen consumer protections for Hoosier consumers and improve economic well-being by capping loans at 36 percent.

Thus far, provisions in the state's small loans statute, such as warning notices, renewal bans, and cooling off periods have been insufficient to adequately protect consumers. In Indiana, 60 percent of borrowers take out a new small loans the same day they repay their old loan. Within 30 days, 82 percent have re-borrowed. The average borrower takes out 8-10 loans per year, paying over \$400 in interest to repeatedly borrow \$300. **In 2017, these loans drained Indiana's economy of an estimated \$60 million in abusive finance charges — a statewide issue that extends far beyond the negative effects individuals may suffer from these products.**

Approving legislation that caps APR at 36 percent is the most effective protection the state government can offer to all borrowers, especially payday borrowers. When payday lending was, effectively, banned in states that introduced rate cap bills of 36 percent or lower, former borrowers reported that their lives were better than when they had access to payday loans. Notable examples include North Carolina and Arkansas, which in 2006 and 2009 established 36 percent and 17 percent rate caps, respectively. Researchers studying the effects of the rate cap and the effective banning of payday lending in North Carolina concluded that the absence of storefront payday lending had "no significant impact on the availability of credit" among former borrowers. Further, former borrowers were twice as likely to report that they were better off without payday lending. Military families are also protected by a 36 percent APR rate cap.

Nearly 9 in 10 Hoosier voters supports a 36 percent interest rate cap. **By and large, they see these products as more harmful than helpful and a financial burden rather than financial relief.** Seventy-five percent of voters would not want to see a payday loan store open in their community. Given the strong support for a rate cap, the harms incurred from taking out loans with high interest rates and fees, and costly but, largely, ineffective insurance products and the economic benefits of the absence of such products, **the Indiana General Assembly should reject the expansion of high-cost loan products in the state** and approve a 36 percent APR rate cap on payday loans. It should also reject any new proposals to establish credit products that exceed 36% APR inclusive of origination fees and insurance products.

Signed,

#### **Military and Veterans Groups**

The Military / Veterans Coalition of Indiana  
American Legion  
Disabled American Veterans  
Reserve Officers Association  
AMVETS

#### **Faith Groups & Churches**

Indiana Catholic Conference  
Episcopal Diocese of Indianapolis  
Grace Church, Indianapolis, Fishers, and Noblesville  
The Creek Christian Church, Indianapolis  
Indiana Friends Committee on Legislation  
House of God Church, Indianapolis  
Christ Church Cathedral, Indianapolis

Drexel Gardens Christian Church, Indianapolis  
Associated Churches, Fort Wayne  
Lafayette Urban Ministry, Lafayette  
All Souls Unitarian Church, Indianapolis  
Catholic Charities Diocese of Fort Wayne-South Bend, Inc.  
Indy Metro Church, Indianapolis  
Shepherd Church of the Nazarene, Indianapolis

**Community Groups, Businesses, & Social Service Agencies**

Indiana United Ways  
AARP Indiana  
Habitat for Humanity of Indiana, Inc.  
Indiana Black Expo, Inc.  
Indiana State Conference of NAACP  
Prosperity Indiana  
National Association of Social Workers – Indiana Chapter (NASW-IN)  
Indiana Association of Area Agencies on Aging  
Indiana Alliance of Retired Americans  
Indiana Connected by 25, Inc.  
Indiana Coalition Against Domestic Violence  
Coalition for Homelessness Intervention and Prevention  
Indiana Community Action Association  
Indiana Assets & Opportunity Network  
Indiana Institute for Working Families  
Feeding Indiana's Hungry  
Citizens Action Coalition  
Hoosier Action  
Indiana Coalition for Human Services  
Wayne Township Trustee of Wayne Co., Richmond  
City of Fort Wayne  
United Way of Allen County, Fort Wayne  
Headwaters Counseling, Fort Wayne  
Big Brothers Big Sisters of NEI, Fort Wayne  
Blue Jacket, Inc., Fort Wayne  
Vincent Village Inc., Fort Wayne  
Habitat for Humanity of Greater Fort Wayne  
Boys & Girls Clubs of Fort Wayne, Inc.  
CVC Communications, Fort Wayne  
Brightpoint, Fort Wayne  
MLK Montessori School, Fort Wayne  
Sharon Eisbart Corporate Art , Fort Wayne  
Do it Best Corp., Fort Wayne, Plainfield, Danville  
YWCA Northeast Indiana , Fort Wayne  
UAW 2209, Roanoke  
United Way of Elkhart County  
Northwest Indiana Community Action (and Area Agency) Program, Crown Point. Covering Lake, Porter  
Jasper, Newton, Laporte, Starke and Pulaski counties.  
Starke Pulaski Habitat for Humanity  
Northwest Indiana Reinvestment Alliance, Hammond/East Chicago  
Lafayette Neighborhood Housing Services, Inc dba HomesteadCS  
LifeStream Services, Inc., Yorktown, Anderson, Richmond  
Interlocal Community Action Program, New Castle, Covering Marion, Anderson, Rushville, Greenfield, Rushville,  
Connersville, Muncie  
Providence Housing Corporation, Terre Haute  
Advantage Housing, Inc., Kokomo

Melissa S. Brown & Associates, LLC, Carmel  
 Stones3 Resources, LLC, Carmel  
 GCC Foundation, Noblesville  
 Thrive Nonprofit Solutions, Indianapolis  
 Marion County Commission on Youth  
 Southeast Community Services, Indianapolis  
 Indianapolis Worker Justice Center  
 City Real Estate Advisors, LLC, Indianapolis  
 Fair Housing Center of Central Indiana  
 Greater Indy Habitat for Humanity  
 West Indianapolis Development Corp.  
 JB Real Estate Consultants, Indianapolis  
 United Way of Monroe County  
 Habitat for Humanity of Monroe County  
 Mother Hubbard's Cupboard, Bloomington  
 Building a Thriving Compassionate Community, Bloomington  
 Area 10 Agency on Aging, Ellettsville, covering Monroe and Owen counties  
 Thrive Alliance (Area Agency on Aging), Columbus, covering Bartholomew, Brown, Decatur, Jackson & Jennings counties  
 United Way of Bartholomew County  
 Habitat Brown Co.  
 Human Services, Inc., Clifford, covering Bartholomew, Brown, Decatur, Jackson, Johnson, and Shelby Counties  
 Habitat for Humanity Clark & Floyd Indiana, Inc  
 Orange County Habitat for Humanity  
 SWIRCA & More, Evansville  
 Memorial Community Development Corporation, Evansville  
 Lincoln Hills Development Corporation, Tell City, covering Crawford, Harrison, Perry and Spencer Counties  
 TRI-CAP, Jasper, covering Dubois, Pike Warrick, Vanderburgh

**Individuals:**

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Armand R Francois	West Lafayette
Joanna W. Rogers	Fort Wayne
Herb Anderson	Woodburn
Susan Brouillette	Lafayette
Stephen R. Smith	Fort Wayne
Shana Lewis	Indianapolis
Jeff Jenkins	Richmond
Steve Morrison	Winamac
David Noe	Indianapolis
Marilyn J. Clerc	Columbus
Maria Rusomaroff	Indianapolis
Rev. Soozie Whitten Ford	Greenwood
Jay Height	Indianapolis
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Serita Cabell	Evansville
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