WHO'S PAYING FOR PAYDAY LOANS?

Payday lenders thrive by targeting low-income borrowers that cannot pay back the loans and end up trapped in a cycle of high-cost debt. These loans are sold as a solution to a financial shortfall, but the average borrower takes out 10 loans in a year and is in debt for five months. In fact, 82 percent of borrowers borrow another loan within 30 days of paying off the first.

THE TYPICAL BORROWER IS...

More likely than the average citizen to...
- Use Supplemental Nutrition Assistance Program (SNAP)
- Lose their bank accounts due to multiple overdrafts
- Delay medical care
- Fall behind on rent and child support
- Face serious credit card delinquency within one year
- Currently renting housing
- Possesses education less than a college degree
- Earns a household income of less than $40,000 per year
- Recently separated or divorced
- Has fallen behind on bills

HIGH INTEREST, HIGH DEBT

The annual percentage rate (APR) for payday loans in Indiana is capped at 391 percent. The average borrower pays $471 in fees to reborrow $346 over and over again.

ROAD TO 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.

MORE LOANS THAN COFFEE

There are 286 payday loan storefronts in Indiana - 60 in Marion County alone! That's higher than the number of Starbucks locations in the county.

MILLIONS OF DOLLARS LOST

Indiana ranks 44th in the nation for bankruptcy. Payday loans drain about $60 million in fees from Hoosiers each year.

IS THERE A SOLUTION TO THIS PROBLEM?

YES! We want Indiana to become the 17th state to set a 36 percent APR cap on payday loans. Sixteen other states and the District of Columbia have implemented a 36 percent (or lower) rate cap - the amount determined by the Department of Defense as the maximum interest rate for all loans given to active duty troops - with great success. In fact, after North Carolina set a 36 percent APR cap, University of North Carolina researchers found that the absence of storefront payday lenders had no significant impact on the availability of credit to low- and moderate-income families in the state.

The majority of Hoosiers are in favor of a rate cap. According to a 2018 poll, nearly nine in ten Hoosiers support a 36 percent rate cap. We hope you will, too.

ABOUT THE NETWORK

The Indiana Assets & Opportunity Network was created to increase asset acquisition for low-wealth Hoosiers and strengthen local economies through policy advocacy and capacity building in partnership with organizations and coalitions.

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