

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 loan 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,

Prosperity Indiana  
Indiana Assets & Opportunity Network  
Indiana Institute for Working Families  
The Military / Veterans Coalition of Indiana  
Indiana Catholic Conference  
AARP Indiana  
Indiana United Ways  
Indiana State Conference of NAACP  
National Association of Social Workers – Indiana Chapter (NASW-IN)  
Indiana Association of Area Agencies on Aging  
(Over)

Indiana Friends Committee on Legislation  
Brightpoint  
City of Fort Wayne  
Indiana Black Expo, Inc.  
Habitat for Humanity of Indiana, Inc.  
Lafayette Neighborhood Housing Services, Inc. dba HomesteadCS Indiana  
Connected By 25, Inc.  
Mother Hubbard's Cupboard  
Indiana Coalition Against Domestic Violence  
The Creek  
Wayne Township Trustee of Wayne Co.  
Thrive Nonprofit Solutions  
Marion County Commission on Youth  
Human Services, Inc.  
Building a Thriving Compassionate Community  
United Way of Allen County  
Providence Housing Corporation  
Advantage Housing, Inc.  
Do it Best Corp.  
UAW 2209  
YWCA Northeast Indiana  
MLK Montessori School  
Headwaters Counseling  
Associated Churches  
Lafayette Urban Ministry  
Big Brothers Big Sisters of NEI  
Catholic Charities Diocese of Fort Wayne-South Bend, Inc.  
United Way of Monroe County  
Blue Jacket, Inc.  
Vincent Village Inc.  
Habitat for Humanity of Greater Fort Wayne  
Greater Indy Habitat for Humanity  
Habitat for Humanity Clark & Floyd Indiana, Inc  
Habitat for Humanity of Monroe County  
Habitat Brown Co.  
LifeStream Services, Inc.  
Area 10 Agency on Aging  
SWIRCA & More  
United Way of Bartholomew County  
Starke Pulaski Habitat for Humanity  
Orange County Habitat for Humanity  
Boys & Girls Clubs of Fort Wayne, Inc.  
CVC Communications  
Fair Housing Center of Central Indiana  
JB Real Estate Consultants  
Melissa S. Brown & Associates, LLC  
Sharon Eisbart Corporate Art  
Peirce Consulting LLC  
Citizens Action Coalition

GCC Foundation

Hoosier Action

Memorial Community Development Corporation

Grace Care Center

West Indianapolis Development Corp.

Human Services, Inc.

Stones3 Resources, LLC

Lincoln Hills Development Corporation

United Way of Elkhart County