PREDATORY LENDING EXPANSION IN SB 245, BY THE NUMBERS

THE LOANS PROPOSED UNDER SB 245 CARRY AN EXCESSIVE COST

- Loans under SB 245 will carry rates rate exceeding 200% APR
- A $1,000 loan due in 6 months will carry a 230% APR
- On a $2,500 due in 24 months, a borrower will pay back over $12,000.
- These rates are significantly higher than other installment loans already offered in Indiana.

SB 245 LOANS ARE SO UNSAFE THAT THEY CANNOT BE MADE TO ACTIVE DUTY SOLDIERS

- In July 2015, the U.S. Department of Defense finalized new rules providing that payday loans, even ones that are structured as long-term installment loans, made to active duty military families cannot carry rates over 36% APR, inclusive of all fees and charges.[1]
- Although active duty military families are protected from the harms of these high-cost loans, the protection of 36% rate cap does not apply to loans made to veterans.

HIGH-COST LOANS HINDER FAMILIES' ECONOMIC SELF-SUFFICIENCY

- Payday loans increase people's dependency on food stamps, likelihood of delinquency on food stamps, delayed payments on medical care and rent, and even increased likelihood of bankruptcy.[2]
- Harms reported by borrowers trapped in these types of high-cost loans include experience trouble meeting other expenses, overdraft fees, aggressive debt collection, and fears of damaged credit.[3]

HIGH-COST PAYDAY INSTALLMENT LOANS LIKE SB 245 WILL EXPOSE VETERANS AND OTHER HOOSIERS TO HARMFUL LENDING PRACTICES, SUCH AS THE DEBT TRAP OF REPEAT LENDING

- SB 245 will still allow lenders to back loans quickly right after another, meaning borrowers will essentially be trapped in a cycle of unaffordable debt.
- A five-day break, as SB 245, is not enough. Despite the 5 day cooling off period after multiple loans In Indiana's existing law, 77% of all payday loans in Indiana are made within 14 days of the previous loan. [4]
- In other states high-cost payday installment loans, data show that payday lenders extend a new loan to a borrower shortly after the borrower's prior loan was repaid early, indicating the loans may not be affordable to begin with and that lenders may still have incentive to churn borrowers.
- For example, in one state with high-cost payday installment loans, roughly 50% of loans over $400 are taken out on the same day that a borrower paid off a prior loan from the same lender. [5]

	6-Month Loan	24-Month Loan
Principal Amount Borrowed	**$1,000**	**$2,500**
Loan Term (months)	6	24
Total Amount Paid (Principal + Fees)	**$1,754.12**	**$12,068.48**
APR	**230%**	**240%**

[1] Limitations on Terms of Consumer Credit Extended to Service Members and Dependents, 80 FR 43559 (July 22, 2015) (to be codified at 32 C.F.R. pt. 232), *available at* https://federalregister.gov/a/2015-1780.

[2] See, e.g., Brian Melzer, "The Real Costs Of Credit Access: Evidence From the Payday Lending Market," Quarterly Journal of Economics (2011), http://qje.oxfordjournals.org/content/126/1/517.full.pdf, and Brian Melzer, "Spillovers from Costly Credit," http://www.kellogg.northwestern.edu/faculty/melzer/Papers/Spillovers%20from%20Costly%20Credit_08_13_14.pdf

[3] Payday and Car Title Lenders Move into Unsafe Installment Loans, 2015) http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_brief_cartitle_lenders_migrate_to_installmentloans.pdf

[4] CFPB Supplemental Data, June 2, 2016, Table 21, page 108, https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/Supplemental_Report_060116.pdf

[5] Payday and Car Title Lenders Move into Unsafe Installment Loans, 2015) http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_brief_cartitle_lenders_migrate_to_installmentloans.pdf