



FACT SHEET

BACKSTORY

In 2019, more than 2 million Hoosier households used a bank credit product such as a credit card, personal loan, or line of credit. Unfortunately, the supply of bank credit is limited for Hoosiers who are financially vulnerable, live in areas with limited bank credit options, or simply do not have a credit history to prove creditworthiness.

REAL LIFE IMPACTS

As a result, these borrowers must turn to nonbank options, often predatory financial products that discourage a mutually beneficial borrower-credit relationship.

- While Indiana provides the option for lenders to charge interest at the higher of a blended rate or 25% on non-mortgage loans (except for small dollar/payday loans), this distorts the true cost of the loan, as it does not include allowable loan finance charges.
- Consumer-friendly policies include:
 - manageable payments and transparent terms,
 - stronger underwriting standards such as an ability-to-repay,
 - proper disclosures, and
 - accurate reporting to credit bureaus
- Indiana is just [one of 25 states](#) without strong rate caps on payday loans. This lack of protection supports debt traps at Annual Percentage Rates (APRs) as high as 391%.
- Policies designed to protect consumers provide the opportunity for Hoosier borrowers to build credit and thrive. Absent these protections, Hoosiers are threatened by a system that pulls them into debt and keeps them there—a cycle that they will likely struggle to leave.
- In 2019, [over 47,000 Hoosier households](#) used a payday loan within the previous 12 months.
- A maximum rate that includes *all fees and finance charges* would be a demonstrable step in limiting and preventing predatory lending practices.
- A 36% APR has been [long recognized and supported](#) by federal regulators and the Department of Defense as a way to combat predatory lending practices and usury while maintaining profitability for lenders.
- 88% of [Hoosier voters support capping the maximum interest](#) on payday loans to 36%.
- At 36% APR, borrowers could have [saved \\$291 million over five years \(2014-2018\)](#), putting more money into local economies and communities that typically lack resources but allow payday lenders to thrive.
- Lenders' profit margin is heavily dependent upon customers taking out at least [four to five loans](#), driving the need for repeat borrowing. Because of this, Hoosiers experience some of the [highest reborrowing rates](#) in the country.

INDIANA PAYDAY LOAN REBORROWING RATES

WITHIN	THE SAME DAY	7 DAYS	14 DAYS	30 DAYS	60 DAYS
	60%	68%	77%	82%	86%

FURTHERMORE:

- Payday lenders accounted for one-third (over 9,000) of all violations discovered and reported by the Indiana Department of Financial Institutions.
- A representative sample of financially vulnerable Hoosiers [found that Black borrowers were nearly three times more likely to have a payday loan in collections than White borrowers](#).