



2010 Agenda

FAIR DEAL FOR WORKING PARENTS

FACT SHEET: Payday Lending

All Kentucky families need stable income to meet basic needs and provide a positive, healthy start for their children. Yet, working Kentuckians lose millions of dollars annually in fees paid for short-term payday loans. Limiting the amount of interest charged on payday loans will help working families keep more of their hard-earned money.

FACTS:

Payday loans are costly for Kentucky families. Kentuckians lost an estimated \$158 million annually in fees on payday loans in 2008. Taking out a payday loan makes a borrower 92 percent more likely to become seriously delinquent on their credit card during the year. Bankruptcy filings increase with payday loan use.

Payday loans set unachievable terms for Kentucky families. The effective annual percentage rate (APR) for payday loans in Kentucky exceeds 400%. Families already struggling to make ends meet typically cannot repay the full amount of the loan and cover other living expenses when they receive their next paycheck. Many pay off the loan on payday and immediately take out another loan. Nine out of ten payday loans are made to repeat borrowers who take out five or more payday loans in a year.

Protection against payday lending is good policy. The U.S. Department of Defense pushed for and won changes in federal law to cap interest at 36% APR for military families. Some 64 percent of Ohio voters supported the implementation of a 28 percent cap on payday loans. Currently, 15 states (including neighbor states Ohio and West Virginia) and the District of Columbia have laws capping rates or do not authorize payday lending.

SOLUTION:

- Cap the triple-digit interest rates currently charged on payday loans at 36% APR

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