KENTUCKY COALITION for RESPONSIBLE LENDING

Kentucky's 400% Payday Loans: A Threat to Families' Financial Security

- **Kentucky data reveals payday loans are long term debt, not a quick financial fix.**
  - Database shows that KY payday lenders keep borrowers indebted for **160 days a year** on average, much longer than the advertised 2-week loan!
  - Kentucky payday lenders charge $15.00 per $100 borrowed, plus additional fees, every two weeks. This means payday loans carry at least a **391% APR.**
  - A typical Kentucky payday borrower was trapped in 10 payday transactions in 2010, typically taken out back-to-back, thus costing **$529 in fees alone for a $317 loan**.
  - Despite marketing claims of a short-term loan, payday lenders depend on this long-term, repeat use – over **90%** of payday revenue is generated by borrowers with five or more loans a year.

- **400% payday loans threaten families' and Kentucky's economic security.**
  - Because of their high fees and short terms, borrowers cannot both repay their payday in full and meet the rest of their monthly expenses.
  - Payday loans increase the likelihood of bankruptcy, delinquency on credit card bills, overdraft fees, and bank account closures.
  - In 2010, payday lending drained over **$105 million in fees** alone from families' pockets and into those of mostly out-of-state national payday companies.
  - That's a lot of money that could otherwise be spent on food, clothing, transportation or other basic needs.

- **Ending 400% is good policy for the military, and good for Kentucky.**
  - In 2006, Congress capped the rate of payday loans to military members and their family at 36% APR.
  - Currently, 17 states (including neighbor states Ohio and West Virginia) and the District of Columbia have laws capping rates or do not even authorize payday lending.
  - Collectively, families in these states no longer throw good money after bad and collectively save $2 billion a year that would have otherwise been washed down the debt trap drain.

- **Capping the rate of payday loans restores Kentucky's common sense usury laws and creates a level playing level.**
  - In states where payday lending was once allowed, but then capped, borrowers report being glad to be rid a temptation that appeared easy to get in to but in reality was very hard to get out of.
  - A ranging of alternatives already exits: friends and families, credit union loans, consumer loans, savings, credit cards, employer advances, to name a few. In fact these will function better once borrowers are no longer ensnared in the debt trap.

For more information visit: http://kyresponsiblelending.wordpress.com/