

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 **137 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 2011, typically taken out back-to-back, thus costing **\$542 in fees alone for a \$325 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.
 - In 2011, more than 4,000 Kentuckians were trapped in **30 or more payday loans!**
- **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.
 - In a 2011 survey conducted by Kentucky social service agencies, **67.2% of borrowers** said that it was difficult to cover their other bills when they had a payday loan
 - National studies show payday loans increase the likelihood of bankruptcy, delinquency on credit card bills, overdraft fees, and bank account closures.
 - In 2011, payday lending drained over **\$112 million in fees** alone from Kentuckians' 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 payday loans rates 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 save \$2 billion a year that would have otherwise been washed down the debt trap drain.
- **Ending the payday loan debt trap promotes families' financial security.**
 - In a recent study by Pew Charitable Trust, 81% of payday borrowers reported that in the absence of payday loans, they would simply cut back expenses. They do not report seeking predatory alternatives on-line or elsewhere; rather they get their finances in order.
 - In Kentucky, the vast majority of payday borrowers interviewed by social service providers reported that payday loans hurt them rather than helped them, and they would not recommend them to a friend in a similar situation.
 - 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.