

## Methodology

In June of 2023, Institute staff conducted five one-on-one interviews with individuals who borrowed payday loans at storefronts in Indiana. Our interview questions asked about what led them to borrow, their experiences with payday loans, and what they want policymakers to know about payday lending. We use pseudonyms to protect participants' privacy.



Denise is a widow living on Social Security. While she owns her own home, she struggles to afford all the other costs of living on her monthly benefit.



Sandy was recently disabled and, as a result, was unable to continue working, leading her family to lose her income while she was applying for Social Security Disability.



Donna lives in southern Indiana and was a caregiver for her mother around the time her father died. She borrowed her first loan from a storefront in her town because she was struggling to pay rent.



David is a father of young children and breadwinner for his family. He has used both payday loans and early wage access products.



Deondra is a single mother who works full time and cares for her two school-age children. While she has a job and is, as she puts it, "not all the way down," she struggles to keep up with kids, work, and bills.

## Lessons Learned

### TAKEAWAY #1

When taking out a payday loan, borrowers were often thinking only about the short-term relief, not the long-term stress and costs.

"At the time, you don't think about it. I think it's trying to get through until the next, you know, pay period or whatnot."

- David

"You don't realize that you're going to get trapped. I don't know... you always think you're going to get out of it somehow."

- Donna

"A red flag should have raised, but...I was so busy and caught up in the fire, I didn't pay it no mind. That's what messed me up. [You feel] just like if you had this extra dollar today, you would be in the safe zone. And I was hoping for a better outcome, but it doesn't work that way."

- Deondra

### TAKEAWAY #2

Payday lending traps borrowers in long-term, high-cost debt.

"I was stuck in that one for almost two years. It was a bad cycle. It was horrible - a horrible experience. It just kept draining..."

- Donna

"I have been doing it for years. I couldn't really tell you. [I've reborrowed] probably more than twenty times."

- Denise

"It's a vicious cycle. When you live paycheck to paycheck. They are hard to...they are great for like the first time you need a little bit of extra cash. But in the overall picture, the big picture of it...you get put into a situation where you have to reloan most of the time."

- David

### TAKEAWAY #3

The trap creates tighter budgets & serious consequences for overall well-being.

"I fell behind on other payments because I had to make that payment. There was always a fight because - like I said, you are robbing Peter to pay Paul and it's just a hideous cycle."

- Sandy

"I couldn't pay it. Then they kept on trying to get it. And then eventually it went on my credit and drove my credit score down from almost, I think, like maybe 670-something to...it was bad."

- Deondra

"Sometimes it stresses me out when I've had to make the monthly payment, it is like paying an extra \$59.00 a month on top of my other bills. It puts me on a thin line as far as what I can do each month. I'm on a really tight budget."

- Denise

"Less fuel, less groceries, less ... you know...needs."

- David

### TAKEAWAY #4

Some knew the APR is incredibly high compared to other loan products - and others had no idea.

"The APR? I believe it was 36.5%."

- David

"It was outrageous. I remember thinking it was - it was like in the 300s or 400s. It was a loan shark type situation. That's what they are: loan sharks."

- Donna

"It's...the one I have - almost 20%? 26%?"

- Sandy

Interviewer:

"Did you know that payday lenders can charge up to 391% APR?"

"Oh Lord, No!"

- Denise

### TAKEAWAY #5

Hoosiers want more sources of support, including - but not limited to - lending options with gradual repayment and reasonable fees.

"[I need help with] my medications. I'm on Social Security. Owning your own home and not having a house payment doesn't make it easier when you have other bills."

- Denise

"If they had a way to pay it off a little at a time, less people would be in trouble, I think. I wish they wouldn't charge so much money. I just don't think that's right. I think they shouldn't be allowed to charge that outrageous amount."

- Donna

"Help people to...have an emergency fund and have a proper education on what to do so people don't get into this situation."

- David

"Better health care. Better health care!"

- Sandy

## Final Thoughts

"What they need to put out there is that, you know, it is credit where you are going to pay a lot more money for this money. I understand it's a business to make money but it's basically a legal loan shark. If you don't have to take a payday loan, don't do it! Don't get sucked into the cycle!"

- David

"So, they act like they're there to help you. But really, in fact, they're not there to help you. They just keep tacking on more interest."

- Deondra

