



***MEDIA ADVISORY FOR: 17 GROUPS SIGN LETTER OPPOSING HB 1340 AMENDMENT TO BE HEARD BEFORE SENATE INSURANCE & FINANCIAL INSTITUTIONS COMMITTEE***

When: Thursday February 25, 2016, 9:00 A.M.

Where: Indiana State Capitol, Room 130

**For more information, contact:**

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**OPEN LETTER: NEW PREDATORY PAYDAY LENDING PRODUCTS ARE NOT GOOD PUBLIC POLICY FOR INDIANA**

This Thursday, on the last day of hearings for the 2016 Indiana General Assembly, the payday lending industry will be requesting that new language be added to HB 1340 that would authorize them to offer 6-month loans of up to \$1,000 at an Annual Percentage Rate (APR) of 180%. This language has not been previously debated or vetted, and would represent a radical departure from Indiana's existing statutory interest rate caps of 36% on installment loans under \$2,000. In fact, lending at more than double that rate, 72%, is currently considered felony loan sharking. Shockingly, this new language would provide a state sanction of installment lending at 2 and half times the existing felony loan sharking rate.

Loans made at this usurious rate do not help struggling Hoosiers. Those already living paycheck to paycheck find themselves pushed into a hole of debt often requiring more borrowing, default or bankruptcy. A recent study by Purdue not surprisingly found that as interest rates climb, defaults increase, further damaging already poor credit records.

Prohibition of usurious lending practices is a principle embedded in many religions, including Christianity and Judaism. Pope Francis has condemned usury as "a dramatic social ill." Philosophers Plato and Aristotle decried usury as immoral and unjust. Adam Smith, widely known as the father of our free-market economy, opposed high-interest rates as being economically counterproductive.

The past 2 decades have witnessed the explosion of payday lending, a practice through which loans up to \$605 are made at exorbitant rates for 14 days, reaching 391% APR in Indiana. Congress reacted by passing legislation in 2006 that prohibits loans to active

military members in excess of 36 % APR. Sadly, this protection ends when military members become veterans.

It is not good policy to create larger and longer-term products for predatory payday lenders. There is unquestionably a need for loans available to those with shaky credit. However, there are responsible alternatives. For example, federal law specifically authorizes credit unions to loan up to \$1,000 for up to 6 months at a maximum of 28% APR - less than one-sixth the extreme rate proposed for HB 1340. Additionally, with seed funding from the JP Morgan Chase Foundation, a Community Loan Center is being operated by Brightpoint in Fort Wayne, creating a 12-month installment loan program for up to \$1,000 at only 18% APR. Another alternative, the Community Loan Center of West Central Indiana, operated by HomesteadCS., is based in Lafayette, IN.

Authorizing new loans at 180% annual interest is bad for Hoosiers and bad for the economy. We urge the members of the General Assembly to reject the damaging proposal being offered as an amendment to HB 1340, and to focus instead on development and expansion of responsible lending and financial literacy programs.

Signed,

BG James L. Bauerle USA Ret., Military/Veterans Coalition of Indiana  
General Officers, Sisters of Providence, Saint Mary-of-the-Woods, Indiana.

Ed Gerardot, Indiana Community Action Association

Jessica Fraser, Indiana Institute for Working Families

Andy Fraizer, Indiana Association for Community Economic Development

Kelsey Clayton, Indiana Assets and Opportunity Network

Steve Hoffman, Brightpoint, Fort Wayne, Indiana

Lisa Wilken, AMVETS

Rev. Michael Mather, Broadway United Methodist Church, Indianapolis, Indiana

Angie Moellering, Lutheran Social Services of Indiana

David Sklar, Jewish Community Relations Council

Anthony Mason, Indianapolis Urban League

Lucinda Nord, Indiana Association of United Ways

David Nicole, United Way of Allen County

Gloria Whitcraft, Catholic Charities of the Diocese of Fort Wayne-South Bend

Fred Everett, Assistant to Bishop, Diocese of Fort Wayne/South Bend

Glenn Tebbe, Indiana Catholic Conference

To see a web version of this letter, please visit <http://iiwf.blogspot.com/2016/02/open->

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### **ABOUT THE INDIANA INSTITUTE FOR WORKING FAMILIES**

The Indiana Institute for Working Families (Institute) is a program of the Indiana Community Action Association, Inc. (IN-CAA). The Institute was founded in 2004 and conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families with education and outreach. The Institute achieves its work by focusing its activities in the following areas: Public Policy: Research and Analysis; Education and Outreach; and National, Statewide, and Community Partnerships. To learn more about the Institute, please visit: [www.incap.org/iwvf.html](http://www.incap.org/iwvf.html)

### **ABOUT THE INDIANA COMMUNITY ACTION ASSOCIATION (IN-CAA)**

The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members are comprised of Indiana's 23 Community Action Agencies (CAAs), which serve all of Indiana's 92 counties. IN-CAA envisions a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low-income individuals attain self-sufficiency. IN-CAA serves as an advocate and facilitator of policy, planning and programs to create solutions and share responsibility as leaders in the War Against Poverty. IN-CAA's mission is to help the state's CAAs address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase network capacity. For more information about IN-CAA, please visit: [www.incap.org](http://www.incap.org)

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