

What are payday loans?

“Payday loans” are loans that last for a short time (usually 2 weeks) and have very high interest rates. These are often advertised as a way for people to get quick cash between paychecks. Usually, a borrower drops off a post-dated check for the amount borrowed plus a finance charge. If the borrower does not pay back the loan in cash or renew the loan before the loan is due, the lender will cash the check.

What often happens is that the borrower cannot pay back these loans, and is forced to renew or “rollover” the payday loan. Then the borrower has to pay more finance charges. It is often the case that if you need cash bad enough to take out a payday loan, you probably will not be able to pay it back.

In March of 2002, Indiana enacted a law which provides protection to borrowers of loans between \$50 and \$400, and in which the lender holds the borrower’s check.

Is there a limit on payday loan finance charges?

Yes. On the first \$100 you borrow the finance charge is limited to 15% or \$15. If a loan is more than \$100, the maximum finance charges on each additional \$100 is 10%. The total amount of finance charges on an original payday loan (no matter the amount) may not exceed \$35. For example, if you take out a payday loan of \$400, the maximum finance charge allowed under

Indiana law would be \$35. (15% on the first \$100 and only \$20 on the remaining \$300).

Note: Payday loans may include “charges,” “costs,” “fees,” etc., which the law considers as finance charges, and are therefore subject to these limitations.

Can I renew or refinance a payday loan if I cannot pay it back on time?

Yes, but there are limits. Remember that by renewing or “rolling over” your loan, you will have to pay more finance charges. If you took out a \$200 payday loan, and were charged the maximum \$25 finance charge on that loan, refinancing or “rolling-over” that the loan would cost you another \$25 and you would then owe \$250. (The original \$200 loan plus two \$25 finance charges).

Can I get a payday loan anytime?

No. There are some times when a lender cannot give you a payday loan. A lender cannot give you a payday loan, or renew your loan, if the total amount to be paid back is more than 20% of your monthly income. A lender also cannot renew your loan more than three times. If a payday lender chooses to renew your loan more than once, the lender must lower the original principle amount by 25%.

Can I take out payday loans from multiple lenders?

Only in limited situations. A payday lender cannot make you a loan if that loan, combined with a debt you owe to another payday lender, is more than \$400. If you have two or more payday loans out at one time, a payday lender cannot make you a loan regardless of the amount you owe. You have to tell the lender about any other payday loan debts you currently have.

What if I change my mind after I get a payday loan. Can I cancel it?

Yes. If you get a payday loan and change your mind, you can cancel it as long as you tell the lender that you want to cancel by the end of the next business day after you get the loan. **It is important to put your request in writing, and keep a copy. You have to give the money you borrowed back to the lender.**

Can a payday lender have me criminally prosecuted if I do not pay my loan back?

NO. A payday lender cannot use, or threaten to use, the criminal process to collect the payday loan debt. The payday lender also CANNOT:

1. Make false or misleading statements about payday loans;
2. Contract for and collect attorney fees on payday loans;
3. Change any information on the check that the lender is holding; or
4. Charge more fees or higher interest than allowed.

your landlord to see if the landlord will agree to let you pay late. (Get the agreement in writing if the landlord does agree).

You should not take out a payday loan for non-emergency purposes.

Last Revised 10/2002 Special Code: 1060200

Payday Loans



What can I do if a payday lender violates this law?

You should seek legal advice from a private attorney or your local legal services office. Under the law, several things can happen to payday lenders if they do not follow the law. For example, if the payday lender violates the law, it might not have a right to collect debts from you. The lender may have to pay you \$1,000 for each violation.

Should I avoid payday loans?

As the law recognizes, “payday loans” should be used for short term cash needs. In reality, you should consider payday loans only in emergency cases in which there are no alternatives. You should try to get a regular loan from a bank or lending company if you can. They may have short-term loans available. You should also try to borrow money from friends or family members. You can go to your local food bank or Trustee office for food or financial help. If you are short on the rent, talk to

ILS Office Contact Numbers

<p>Bloomington: (812) 339-7668 1-800-822-4774</p> <p>Columbus: (812) 372-6918 1-866-644-6407</p> <p>Evansville: (812) 426-1295 1-800-852-3477</p> <p>Fort Wayne: (260) 424-9155 1-888-442-8600</p> <p>Gary: (219) 886-3161 1-888-255-5104</p>	<p>Hammond: (219) 853-2360</p> <p>Indianapolis: (317) 631-9410 1-800-869-0212</p> <p>Lafayette (765) 423-5327 1-800-382-7581</p> <p>New Albany: (812) 945-4123 1-800-892-2776</p> <p>South Bend: (574) 234-8121 1-800-288-8121</p>
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This is for information only. It is **NOT** legal advice. For legal advice, contact an private attorney or a lawyer at the nearest Legal Services Office.

Laws and Policies change. Please look at the last revised date to make sure the information is still current.

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