



The Independent Voice for Kentucky's Children

KENTUCKY
YOUTH
ADVOCATES

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**Confusing Financial Options Lead Many Kentuckians into Cycle of Debt
Focus Study Uncovers Experiences with Payday Lending and Other High-Cost Financial
Services**

Louisville, KY – In an effort to hear the real effects that payday lending and other high-cost financial services have on Kentucky's low-income families, Kentucky Youth Advocates conducted a qualitative research study consisting of focus groups and interviews. The findings of the study, along with recommendations for addressing the burden of high-cost financial products, are explained in the report released today.

Terry Brooks, the executive director of Kentucky Youth Advocates commented, "Working families are struggling now, more than ever, to get food on the table and to make ends meet. When economic times are tough, Kentuckians are forced to find immediate cash, and unfortunately many find it where the costs and consequences are sky high."

Payday lending services provide immediate cash at a high price. Many low-income individuals and families across Kentucky have said that they accept the offer because they don't trust mainstream financial institutions such as banks, and feel as if check-advance stores are the only immediately available credit option.

By learning the hard way, individuals and families discover that a payday loan is a terribly unwise financial option. Many participants said they would have been better off without taking a payday loan because of the difficulty in paying off the loan. A Campbell County participant shared, "One time when I did it [took out a payday loan], it took me almost a year to not [take out another payday loan] because I couldn't break even."

The two week window demanded by the lender is an unrealistic burden placed on the borrower; often trapping them in a never-ending cycle of debt. There are potential alternatives to payday lending and other high-cost financial services that could aid Kentucky families in creating economic stability for themselves such as: employer-based lending, faith-based and community-based outreach to increase financial literacy, outreach to create bank accounts for individuals who remain outside of mainstream financial services, and lowering the cap on payday loan fees.

“Great strides have been made, across our nation, to protect children and families from predatory lenders” said Terry Brooks. “Congress enacted a 36% Annual Percentage Rate (APR) cap for the military, Ohio enacted a 28% APR cap for their citizens, and North Carolina banned payday lending all together. We are eager to work with the Governor in 2010 on his commitment to extend the same protections for the military to all Kentuckians.”

Find a complete copy of the report on Kentucky Youth Advocates’ website at <http://www.kyyouth.org>.

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***Kentucky Youth Advocates** is a non-partisan, non-profit, children's advocacy organization. KYA represents a voice for Kentucky's most precious asset – its youth. We believe that Kentucky's youth deserve the opportunities and resources necessary to ensure their productive development and health.*