

**By Javier Quintero  
Eastern High School, Louisville KY**

Children, the holders of the future, are our most vulnerable, dependent and precious assets. Yet equally as important as the children are the working parents who support them.

Many low income families across Kentucky have few options in the mainstream financial market that meet their needs. As a result of this, families shift their interest from banks to payday loans, tax refund anticipation loans and high interest home loans.

Low income families are doing whatever it takes to raise their children and as a result end up paying more than necessary to purchase basic goods and services.

In the report, *The High Price of Being Poor*, one hundred percent of respondents reported that a short term loan from a mainstream financial institution would be most beneficial, but without this alternative, more than half rely on high cost payday lenders. Very few families knew exactly the amount these lenders charged much less the effective interest rate the amount reflected. In fact, one respondent said:

“I think it must have something to do with how long, but I really never know how much it will cost me. Sometime I borrow \$250 and it costs me \$30 and then I will borrow on a \$100 and they charge me \$45. Many times, that is my only short at making it so I worry more that they keep letting me do it than what they are making on me. I hear if you ask questions, the window just may get closed.”

Low incomes families rely on these payday loans, which are based on a model that keep families in debt often for several months. These families need

alternatives to high cost financial products that will help them cover temporary gaps in their budget due to unexpected or higher than expected expenses, for example emergency auto repair. Such an option would help these families get immediately back on track, as opposed to entering a cycle of reliance and further debt.

Current legislation seeks to remedy problems resulting from low-income families use of payday loans including setting a cap on fees check cashing establishments can charge upon processing checks, clarifying rollover language eliminating the ability for a person to pay off a loan in cash and write another check immediately and lastly promoting financial literacy to help families avoid predatory business practices. Please encourage your legislators to support legislation reforming payday loans in Kentucky so that more of our low-income families will be able to achieve self sufficiency by keeping more of their hard-earned money.