Ohio Council of Churches

Legislative Brief

SEPTEMBER 13, 2017

WHY DOES OHIO HAVE THE HIGHEST PAYDAY LENDING FEE IN AMERICA? 591%

In 2008,a faith-based group led OHIO voters to overwhelmingly pass a lending bill reducing it to 28%. Howevcer, greedy lenders found a loophole in Ohio's legal lending language and raised their rate to 591% APR, the highest rate in the nation. This rate is 4 times more than the rate that is offered by these same lenders in other states. House Bill 123, which established a maximum interest rate on such loans of 28% plus a maximum monthly fee of $20 was introduced by Rep, Kyle Koehler (R-Springfield) and Michael Ashford (D-Toledo) on March 8th. Unfortunately, Chairman Louis Blessing III (R-Cincinnati) of the Government Accountability and Oversight Committee has been unwilling to give the sponsors and proponents even a single hearing to explain the fairness and benefits of this bill being adopted .

Representative Bill Seitz (R-Cincinnati) called a meeting with advocates of payday lender reform. Members of the payday lending industry were also invited, however they failed to attend and sent their lobbyists instead.

Payday lenders obviously fear that if hearings are held, the media will write articles calling on legislators to forego campaign contributions and pass legislation that brings the interest rate nearer to the rest of the nation and not the highest.

Each day that passes, Ohioans pay more than $200,000 per day in payday loans, meaning thousands of low-income families that are living from paycheck to paycheck and find themselves depending on payday loans to make ends meet. The *Columbus Dispatch* editorial said, "For far too long, Ohio has allowed payday lenders to take advantage of those who are least able to pay.One in 10 Ohioans has used a payday lender, according to PEW's estimate, this issue ought to be high on lawmakers'to do list."

"Do not withhold good from
those to whom it is due,
when it is in your power to do it.
Do not say to your neighbor
"Go and come again, tomorrow
I will give it"- when you have
it with you.

(Proverbs 3:27-28 NRSV)

"One who augments wealth by exorbitant interest gathers it for another who is kind to the poor. When one will not listen to the law, even one's prayers are an abomination."

(Proverbs 28:8-9 NRSV)

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Payday loans are high cost, small dollar loans offered to individuals with no credit and who are unable to obtain loans from lenders at reasonable rates. They have to provide payday lenders with post-dated checks from a bank account that generally must be repaid in two weeks. The usual percentage rate for the loans are often 39% to 700%. At the end of the pay period the borrower must pay the entire lump sum or have the entire amount deducted from the bank account. They offer an alternative to pay only the fee and interest and “roll-over” the loan for another two weeks or the next payday.

Consumer advocates say they are worried borrowers are being misinformed by their lenders. States such as Colorado have undertaken their own regulations and succeeded in keeping credit available, but without usury rates, says PEW Charitable Trusts. The same loan that costs Ohioans $680 in interest in five months costs a Coloradan $182.

In fact, 76% of all payday loans are taken out within 2 weeks of a previous payday loan. Studies show that 75% of all fees generated from payday loans come from the 48% of borrowers who have taken out 11 or more loans a year.The payday loans are most profitable when the borrower is trapped in a cycle of perpetual indebetness.

The Bible has warnings about the danger of Usury and insists that we care for those who are marginalized.

A pastor, Rev.Carl Ruby from Springfield is leading a group of citizens and clergy around Ohio to support and contact their legislator to vote for HB 123.

The PEW Charitable Trust have recommended that Ohio use the reforms in the Colorado bill in 2010.

After the reform, half of the stores were still in operation and borrowers’ expenses dropped from $95 million to $55 million for the year. Defaults were reduced by 23%, bounced checks reduced by 48% and the share of loans that were renewed dropped by 40%.

Ohio’s lender markets consists of 650 payday lenders storefronts in 76 counties.More than 90% are owned by companies that do business in other states; however, Ohio borrowers pay up to 4 times what other states pay.

Colorado replaced the two-week payday loan with six month installment payday loans. Each year borrowers save $40 million that goes back into their state’s economy. An average loan payment consumes 4% of a borrowers next paycheck. 75% are paid earlier.

Why hasn’t this bill passed already? The payday lenders use the argument that if rates are dropped many lending outlets would leave and make it more difficult for those who need loans to obtain them.

Also lenders are very willing to give large contributions to State legislators.

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