

## Payday lenders feeling the heat

*Industry appears to be on verge of more regulation*

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**By Jim Siegel**

Payday lenders have hired 18 lobbyists, raised concerns about job losses and handed out hard-bound books to legislators featuring statements of support from customers.

But recent statements from legislative leaders indicate that the payday-lending industry's full-court press might struggle to stop legislation that would further restrict fees on short-term, high-interest loans.

Ted Saunders, CEO of CheckSmart, based in Dublin, estimated that Ohio payday stores lent \$2.2billion to \$2.6 billion last year.

Lenders, he said, are simply doing what legislators told them to do when they passed, and voters affirmed, a 36 percent annual interest-rate cap on payday loans in 2008. Those that stayed in business switched lending licenses, allowing them to charge fees for loan originations and credit checks.

In addition, lenders that used to issue cash started issuing checks instead, and now charge a fee if the customer wants to cash the check before leaving the store.

This has caught the eye of a number of legislators.

"I think it's a problem, absolutely," said Sen. Chris Widener, R-Springfield, who sponsored the payday law in 2008 as a member of the House. "Why can't you ask the customer if you want that in check or cash? You've got both behind the counter."

Sen. John A. Carey Jr., a Wellston Republican and chairman of the Senate Finance Committee, said of the check-cashing fee: "I haven't heard any rationale why that is taking place."

He added: "If the House passes legislation regarding fees, I think that is something we'll be interested in talking about."

After his initial payday bill bogged down for 10months, Rep. Matt Lundy, D-Elyria, recently introduced a simplified measure that would prohibit lenders from charging fees to cash their own checks, allow other fees to be charged only once every 90days, and prohibit lenders from acting as brokers or credit counselors.

In a hearing this week, Rep. Stephen Dyer, D-Green, told Saunders that the check-cashing fee "just seems wrong to me," to which Saunders replied: "Have you ever fired anybody?"

Payday operators say they need the fee to stay in business, and customers can choose to cash their checks elsewhere.

"I don't want to put any business out of business, but I also don't want people to get screwed by a cycle of debt, either," Dyer said.

Critics of payday lending say that because the entire loan, plus fees, is due in just two weeks, many borrowers can't repay the loan and are forced to take out additional ones.

Saunders passed out a book filled with pictures and brief statements from customers praising the company for helping them.

"They come see us because we are the least-expensive option in the marketplace," he said, stressing that the loans are cheaper than bank fees, bounced checks or utility penalties.

Lundy told him the book "reminded me of a casino when they only put up pictures of the winners, not the losers."

The Ohio Department of Commerce recently enacted a rule prohibiting check cashers from charging to cash their own checks. But payday lenders are exempt from Ohio's check-cashing law.

Still, commerce officials do not think payday lenders are allowed to collect a check-cashing fee, and they are trying to strip lending licenses from three payday companies.

Lenders argue that check-cashing is a separate transaction, and therefore legal.

The House bill would clarify the law, commerce officials say.

House Speaker Armond Budish, D-Beachwood, wants to see the bill pass, but he wants Republican help. House Minority Leader William G. Batchelder, R-Medina, said at least 10 House Republicans should vote for the bill.

"I think this is a very simple bill," Batchelder said. "Basically, I think it accomplishes what we are trying to accomplish."

Asked in September about payday legislation, Senate President Bill M. Harris said, "I have not seen something that convinces me we need to do more."

This week, Harris told Gongwer News Service: "I thought we had addressed that, but sometimes there's ways to manipulate around. ... So I think we'll certainly look at it and consider it."

As House speaker in 2008, Sen. Jon Husted, R-Kettering, was key to getting the payday law passed. "It's my belief that what we did in that legislation, if properly enforced, would have been adequate," Husted said. "However, it doesn't seem to be working that way." [jsiegel@dispatch.com](mailto:jsiegel@dispatch.com)