

# Editorial: Bill would close biggest loopholes of payday law

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Two years ago, Ohioans agreed to uphold a new state law that would place restrictions on payday lenders' ability to charge exorbitant fees for small loans.

Those who were using such loans barely noticed the difference.

Now, Rep. Gerald Stebelton, R-Lancaster, and Rep. Matt Lundy, D-Elyria, are driving toward yet another bill, seeking to tighten the loopholes payday lenders drove through the last time. It restricts fees lenders can charge, and it stops payday lenders from charging a fee to cash a check or money order it just issued -- the very fee that essentially kept the amount paid for a loan exactly the same as it was before.

The 2008 state issue was intended to cap payday lending loan fees at 28 percent, rather than the 391 percent annual interest that was being charged. Instead, the lenders simply got different licenses -- mortgage and small loan licenses, instead of short-term loan licenses -- and began issuing loans in the form of checks or money orders they promptly charged an additional fee to cash. Now, they're charging at least the same, if not more -- some say as much as 680 percent.

House Bill 486 doesn't fix everything, but it closes the biggest loopholes to bring the cost to the consumer into a reasonable range.

While we fully expect the payday loan industry to find loopholes in this law, too, we believe it's important to continue the effort to hold lenders to the standards that voters supported in the first place in 2008. While payday lenders rightfully note individual borrowers certainly have some responsibility to keep their borrowing in check, the system as constructed makes it easy for people in financial trouble to get sucked into a cycle they can't escape.

After all, while some who use payday lenders do so as a matter of convenience, the reality is, most are there because they're behind on other bills or fear the even-higher bank fees they could face for overdrafting. That's a population that is all too willing to dip a toe into the water of payday lending, only to find themselves caught in a bigger whirlpool than before.

Payday lending is intended to be a lifeline for those in short-term financial trouble, and in that, we support the industry for providing an alternative. However, the current system simply can add up to another \$100 or more a month to budgets that already, plainly, can't afford what they're already paying.

Clearly, for individuals, the first solution needs to be cutting costs and ensuring they're not spending money they don't have, so they have nothing to fear from payday lenders or the banks. But we submit these institutions need to be reasonable when charging high fees to people who are struggling to begin with.

The latest law proposed by Stebelton, among others, is up for a third public hearing, and possibly a vote, on Tuesday in the Ohio House's Consumer Affairs and Economic Protection Committee. We hope the bill finds the support it needs.