

## Editorial: Ohio must keep after predatory lenders

May 9, 2010

**The Issue:** Ohio lawmakers will vote next week on a bill designed to strengthen the state's predatory lender rules.

**Our Stand:** House Bill 486 will close the loopholes predatory lenders have found to trap the economically vulnerable.

**Take Action:** Call the bill sponsors, Rep. Matt Lundy, D-Avalon Lake, 614-644-5076; and Rep. Gerald Stebelton, R-Lancaster, 614-466-8100. You also can contact Bill Faith, director of the Coalition on Homelessness and Housing in Ohio, at 614-280-1984.

Ohio legislators should pass House Bill 486 to prevent predatory lenders from skirting the law and preying on the most economically vulnerable members of our community.

Voters and lawmakers already have told lending companies that payday loans that charge exorbitant interest rates are not welcome in our state.

In 2008, Ohio legislators overwhelmingly passed the Short Term Lender Law, which places a 28 percent interest rate cap on short-term loans. The idea was to halt payday lending that sent consumers into a long-term cycle of debt.

Before the law changed the typical customer borrowed 11 to 12 loans per year, which trapped them in high-interest loans for up to 24 months. After the governor signed the bill into law, lenders took the issue to the voters in the form of a referendum, which failed by a margin of nearly two to one.

Since then, lenders have found loopholes to continue their predatory practice in the form of the Mortgage Loan Act, the Small Loan Act and statutes governing credit service organizations in ways that were never intended.

The new bill, which will likely be voted on in the coming days, will protect legitimate forms of lending. At the same time, it bans huge check-cashing fees charged to the borrower.

It curbs the cycle of debt and limits the origination and credit check fees for loans of less than \$1,000 to once during a 90-day period. It prohibits brokering and Internet scams that send loan rates as high as 670 percent.

Gov. Ted Strickland supports the bipartisan legislation. "In 2008, Ohio voters sent a strong message that they wanted to see greater consumer protections against predatory lending practices," Strickland said. "Since then, my administration has been using the regulatory and rule-making tools available to the Ohio Department of Commerce to strictly enforce the letter and spirit of the law. This legislation is the practical next step to strengthen the laws on the books and close loopholes to enact safeguards for Ohio families."

This move is not unique to Ohio. In fact, 16 states and the District of Columbia have capped payday loan interest rates or banned the practice.

House Bill 486 is a law that absolutely makes sense at this time in our state. It stops the economic predators who have found a way to take advantage of those who are the most vulnerable.