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**For Immediate Release**

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## **Secret Shopping Reveals Dirty Secret: Payday Lenders Make Same old Loans under New Law**

A “secret shopping” study released today by Policy Matters Ohio indicates that high-interest short term payday loans continue to be made across Ohio at triple digit interest, even after legislation designed to regulate the industry capped interest rates at 28% APR.

The report, “New Law, Same Old Loans: Payday Lenders Sidestep Ohio Law,” comes as the Ohio House debates House Bill 209 (Lundy, D-Elyria), legislation that would tether the industry to the 28%APR Short Term Loan Act, a law passed last year by the legislature and affirmed by Ohio voters by a two thirds majority in November. The industry sidestepped the new law by taking out licenses under different statutes never intended for this type of short term lending.

Policy Matters Ohio researcher and report author David Rothstein cited deliberate circumvention of the new short term lending law. “Both Ohio voters and Ohio lawmakers acted to end these high interest rates but the lenders are circumventing the new law and continuing to market and sell loans at annual interest rates of more than 300 percent,” he said. “These loans are not designed for people to pay them back on time. Someone who borrows \$200 and owes \$252 just two weeks later is likely to need another loan to pay back the first one.”

The debt trap, the result of the payday industry’s trademark one-two punch of high interest and short repayment terms, was the prime reason for industry reform. Unable to pay off the first loan, borrowers sink into deepening debt, taking out additional loans to pay off previous ones. “All the indicators and conditions that lead people into the debt trap remain in place,” Rothstein said.

### **Among the report findings:**

- Payday lenders are still making loans for 14 days or less, with at least \$15 in costs per \$100, not counting new costs like a charge to cash the check.
- Many lenders are issuing checks rather than cash, and charging anywhere from 3 to 6% of the total check to cash it.
- Many lending groups are using unemployment, social security, and disability checks as “collateral” or proof of income to make loans.
- The loan process and costs are less than transparent and often change per store and chain.
- No lender, even when asked, mentioned an extended repayment plan as touted by the CFSA “best practices” guideline.

Tom Allio, chair of the Ohio Coalition of Responsible Lending and a longtime proponent of industry reform said, “The report by PMO is the strongest indictment to date of an industry that will do whatever it can to continue to prey upon Ohio consumers,” he said.

He praised HB 209 as the no-nonsense solution to an industry that mocks the will of the legislature and the will of the people. “Time and time again, the payday lending industry manifests an utter disdain of the reforms that were overwhelming passed by the Ohio General Assembly, supported by the Governor and affirmed by 3.4 million voters,” Allio said. “The industry acts as if they have a license to prey upon Ohio consumers. They continue to use Ohio borrowers as their private ATM machine gone wild.”

HB 209 would ban check cashing fees; limit to 28% APR all loans made for under \$1,000 and for less than 90 days; place the industry under the auspices of the Consumer Sales Practices Act, allowing for Attorney General oversight; and prohibit the practice of loan “brokering,” charging themselves a broker fee to push loans into high triple digit figures.

Rothstein said his report confirms “deliberate circumvention of the new Short Term Lending Law, the will of the people in voting for a 28% APR, and bipartisan legislation.

HB 209, he said, would require lenders to adhere to the law meant to regulate them.

To view the full Policy Matters Ohio Report, click here:

<<[http://www.cohhio.org/pdf/Fact%20Sheets%20and%20Reports/NewLawSameOldLoans2009\\_1.pdf](http://www.cohhio.org/pdf/Fact%20Sheets%20and%20Reports/NewLawSameOldLoans2009_1.pdf)>>

To view Attorney General Richard Cordray’s testimony in support of HB 209 submitted to the Ohio House Financial Institutions, Real Estate and Securities Committee on September 23:

<http://www.ohioattorneygeneral.gov/paydayloanbill>

To view a summary of HB 209, click here:

<<<http://www.cohhio.org/pdf/Fact%20Sheets%20and%20Reports/HB%20209%20Onepager.doc>>>