



Coalition on Homelessness
and Housing in Ohio
COHHIO

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Payday “Loophole Lending” Fix Introduced in Ohio House

Rep. Lundy’s bill holds “rock-solid” provisions

COLUMBUS - Flanked by lending reform advocates, Rep. Matt Lundy (D-Elyria) today unveiled his much-anticipated fix to close loopholes in the law that are currently allowing payday lenders to charge up to 680 percent APR.

Lundy brings his bill forward one year to the day after Governor Ted Strickland signed the Short Term Loan Act, legislation that capped interest rates at 28 percent APR, down from 391 percent. The rate cap law was affirmed by a margin of nearly two-to-one with the passage of Issue 5 at the polls in November.

“Payday lenders have thumbed their nose at consumers by working around the law,” said Rep. Lundy. “Our bill will enforce the mandate set forth by Ohio voters when they overwhelmingly supported Issue 5 to set limits for payday lenders.” Among other provisions, Issue 5 Payday Lending Enforcement Act would:

- Require that all loans under \$1,000 and for less than 90 days be prohibited from charging more than 28 percent APR;
- Prohibit charging a fee to cash the loan check; and
- Allow the Attorney General authority under the Consumer Sales Practices Act to go after lenders who attempt to skirt the law.

Bill Faith and Tom Allio, legislative chair and chair of the Ohio Coalition for Responsible Lending and prominent voices behind payday lending reform, spoke in support of Lundy’s bill. “These are rock-solid provisions,” said Faith. “This bill closes current and potential loopholes and will prohibit companies from using other statutes that were never designed for short term lending.”

Since November, only 19 of the 1,000+ storefronts statewide licensed themselves under the Short Term Loan Act. The rest opted for licensure under Ohio’s Mortgage Loan Act and Small Loan Act. Both statutes were designed to regulate other long term lending products like second mortgages; neither was intended to regulate a short term product like a payday loan. Under these statutes, payday lenders have packed on additional fees that result in skyrocketing interest rates.

“No one, other than the payday lenders, could have envisioned the scheme that has kept about 1,000 stores open to prey upon consumers,” said Tom Allio. “Once and for all this industry must be stopped from manipulating Ohio laws for the purposes of advancing their insatiable appetite for greed. This bill is a good faith effort to end the schemes, charges and exorbitant interest rates of the payday lending industry. Our coalition is primed and eager to press hard and fast for passage of this legislation.”

“Loophole lending” began surfacing after the November election, and was confirmed in a March report by the Housing Research and Advocacy Center titled, “The New Face of Payday Lending.” Lenders were able to trap customers in debt, Faith said, with their trademark high interest, short term approach to lending.

Faith and Allio are confident that legislators on both sides of the aisle will support Lundy’s bill, and that it will move quickly through both chambers. “Since this is a corrective action, we believe these scandalous, lending loopholes can and should be closed before the summer recess,” said Allio. “The people have spoken and they expect this fix to be on a very fast track.”

“Abusive lending is not a partisan issue,” added Faith. “I think we can all agree that being trapped in debt is no solution to being short on cash.”