

Bucyrus Telegraph

Editorial: End predatory lending practices

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The state Senate should pass House Bill 486 to prevent predatory lenders from skirting the law and preying on the most economically vulnerable members of our community. The measure passed the House 61-37 on Wednesday and now goes to the state Senate, where its future is uncertain.

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

In 2008, the Ohio Legislature overwhelmingly passed into law the Short Term Lender Law, which provides 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 11-12 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 services 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 to the borrower.

It curbs the cycle of debt and limits the origination and credit check fees for loans 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 APR.

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 don't allow 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.