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Payday Lending Storefronts Swell to 1,638; Ohio's Big-City Mayors Seek Industry Reform

Mayors call for rate cap legislation

Columbus, OH – A study released on March 19 by two statewide nonpartisan research groups reveals a fourteen fold increase in the number of payday lending storefronts since 1996, prompting calls for reform from the mayors of Ohio's largest cities. The growth report by Policy Matters Ohio and Housing Research and Advocacy Center comes at a time when an effective rate cap bill (HB 333) idles in the Ohio House and a companion bill circulates in the Senate.

In addition to mayoral support for lending reform, city councils and county officials across the state are endorsing a rate cap, including Columbus, Cleveland, Dayton, Lorain County Commissioners, Summit County (including County Executive Russell Pry) and Wooster. Cuyahoga Falls recently passed a law prohibiting payday lenders from opening within 10,000 ft. of each other; and Maple Heights voted in January to limit the number of payday lending storefronts that can operate within the city limits.

"City mayors and council members understand the impact that loans charging 391% interest have on borrowers," said Bill Faith, OCRL legislative chair. "The study confirms that an average family budget cannot accommodate the high interest rate and short loan period. The result is the debt trap. As we try to build our struggling economy," Faith continues, "we need to rein in predatory lending practices that drag people down. We're hopeful for passage of HB 333 this year."

Columbus Mayor Michael Coleman voices concern over the fact that Franklin County holds 189 storefronts, the highest number in the state. "High interest rates payday lenders charge keep hard working families in a cycle of debt," says Coleman. "Columbus families who are trapped in debt are unable to help contribute to the vision of what we hope we can become -- America's 21st Century City. I support reasonable efforts to limit interest rates that lenders can charge as a way to protect families."

Cleveland Mayor Frank Jackson says that with 163 Cuyahoga County storefronts, the second highest number in the state, Ohio can't afford to wait on payday lending reform in the same way it did for mortgage lending reform. "The payday lending industry exploits individuals and diminishes quality of life. The time has come to put these businesses under strict supervision and House Bill 333 would do just that."

Mayor Mark Mallory of Cincinnati, a former member of the Ohio General Assembly and long time payday lending reform advocate, believes the state needs to act now. "With 125 storefronts, Hamilton County ranks third in the state in the number of payday

lenders. Payday loan debt is not only a problem for the individual. It also affects their families, their neighborhoods, and all of our cities,” Mayor Mallory said. “There is simply no justification for the interest rates on those loans. The rates are so high that people are often forced to take a second loan to pay the first. That is not a fair business model. I applaud current efforts to make true reform a reality by capping interest rates at 36% APR.”

Dayton Mayor Rhine McLin believes payday lending is curbing her city’s economic progress. “The growth of payday lending in Ohio and in Dayton has caused considerable damage to the economic well-being of our citizens,” says McLin. “Many Dayton citizens have been caught in the debt trap that is payday lending. We need fair lending options, not non-competitive storefronts pushing loans at 391% APR. I support state legislation that would cap interest rates.” Montgomery County ranks fourth in the state with 89 storefronts.

Akron Mayor Donald L. Plusquellic says that payday lending does not figure in to the economic equation that is creating one of America’s most livable cities. Summit County, home to 68 storefronts, ranks fifth in the state. “The high interest rate payday lenders charge is a net drain on our families and our communities. We’ve seen from the mortgage meltdown that when families are trapped in debt, the economy as a whole suffers. In Akron, we’ve made too much progress to let payday lending jeopardize our potential. A rate cap would open the market to fair lending alternatives; those kinds of businesses would be welcomed.”

Mayor Jay Williams of Youngstown sees the growth of payday lending as an impediment to his city’s revitalization efforts. “Here in Youngstown, we are working diligently to stabilize and rebuild our economic base. The proliferation of payday lending storefronts and the debt cycle they cause goes against the vision of the Youngstown 2010 comprehensive planning initiative. A rate cap on payday loans would assist in creating and maintaining a healthier, more vibrant economy, and that’s exactly what we are working to do. As a former banker, I understand how interest rates can greatly affect the status of both lenders and borrowers. We need to strike an appropriate balance and I am in support of rate cap legislation to achieve this goal.” With 50 storefronts, Mahoning County ranks eighth in the state.

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The Ohio Coalition for Responsible Lending is a 241-member group of advocates, religious leaders, labor organizations and community groups dedicated to fair and just lending practices by small loan lenders. For a complete list of endorsing city councils, visit our website at www.ohiodebttrap.org