FOR IMMEDIATE RELEASE **For more information contact:**
September 19, 2007 **Suzanne Gravette Acker, 614-280-1984**

Trapped by design: Report Confirms Payday Lenders Snare Borrowers in Cycle of Debt

Report Confirms Repeat Borrowers Prop Up Payday Lending Industry

Columbus, OH – The Ohio Coalition for Responsible Lending today released a report detailing how the payday lending business model is dependent on repeat borrowers and how that impacts payday lending customers in Ohio.

"The kind of help payday lenders provide to Ohioans drowning in debt is to throw them a cement life jacket," said Bill Faith, executive director of COHHIO, an OCRL member organization. "This flawed loan product trapped more than 315,000 people in Ohio last year and dragged them into a vicious cycle of extraordinarily high-cost debt. "

"Trapped by Design: Payday Lending by the Numbers" is the result of a four month investigation into the 10-K filings made to the Security Exchange Commission (SEC) by four of Ohio's largest payday lenders. The findings include:

- Ohio payday borrowers pay over **$318 million** in payday loan fees annually
- The average payday loan is **$328** with an average **APR** of **391%**
- The average Ohio payday borrower takes out **12.6 loans per year**
- Over **300,000** Ohio payday borrowers are trapped in a payday debt cycle
- The payday lending industry **actively encourages repeat borrowing and is dependent upon** its ability to lure most of its customers into the debt trap.

The research focused on the SEC filings of Advance America, Cash America, ACE Cash Express and QC Holdings (Quick Cash); which represent a 31% share of the Ohio payday lending market and a 21% share of the national market. "Our examination found that of 513,000 Ohioans that utilize payday loan product, over 300,000 of them have been caught in the debt trap," said Tom Allio, OCRL chair. "From a faith-based perspective, we see this industry product as nothing short of usury. Over $318 million in exorbitant loan fees are being picked from the pockets of hard working Ohio families and their neighborhoods."

The OCRL study also included a review of available payday lending data from five other

states and confirmed the importance of repeat borrowers to the industry's bottom line. In sister state Michigan, those who borrowed five or more times during a 13-month period generated 94% of the payday industry's revenues.

"The payday lending industry is running a multi-million dollar campaign touting their product as a short-term fix for an emergency," said Allio. "In reality, customers are lured into two week loans charging 391% APR." On the average $328 loan, borrowers taking out 12 or 13 loans per year find themselves paying more than $600 in fees, he said. "Industry argues that repeat borrowers aren't the norm in our state, but their own financial reports fly in the face of their public statements on this issue," he said.

OCRL is working closely with Representatives Bill Batchelder (R-Medina) and Bob Hagan (D-Youngstown) to protect Ohio borrowers by establishing a small loan rate cap of 36%. The Coalition supports legislation that would prohibit the use of post-dated checks as collateral and would expand the small loan market.

Reps. Batchelder and Hagan intend to introduce legislation by the end of the month that will stop predatory payday lending and offer reasonable small loan alternatives for Ohio consumers. "These are the legislative steps we need to take immediately to protect Ohio borrowers from the debt trap," said Faith. "If we've learned anything from the foreclosure crisis in Ohio, it's that the legislature can't afford to wait to take action."

To view the entire report (which will be available by noon today), visit the COHHIO website at www.cohhio.org

The Ohio Coalition for Responsible Lending represents more than 170 organizations, including advocates, religious leaders, community groups, and labor organizations across the state, each dedicated to fair and just lending practices by small loan lenders.

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The Ohio Coalition for Responsible Lending, 795 Russell Ave. Akron, Ohio 44307, 1-866-620-5280