



Trapped in Debt, County after County

A County-by-County Payday Lending Impact Report
By The Ohio Coalition for Responsible Lending

Ohio has one of the highest concentrations of payday lenders in the country. An analysis of recent annual financial reports from four of Ohio's leading payday lenders confirms that over 300,000 Ohioans are trapped in a long-term payday lending cycle. Further culling of data from the Security and Exchange Commission (SEC) filings and a tabulation of 2006 storefronts from Policy Matters Ohio reveal a thumbnail view of the local impact of payday lending in Franklin County. **In 1996, Ohio had 107 storefronts; by 2006 there were 1,554 storefronts charging \$318,789,535 in fees, leaving 317,990 borrowers trapped in debt.**

While the payday lending industry marketing message is "payday advances should be used for short-term financial needs only, not as a long-term financial solution," the industry's own numbers used to compile this report tell a far different story. The industry's goal, in fact its very survival, requires that it pull the occasional customer into a cycle of repeated loans over the long-term. Aggressive marketing strategies, such as those used by the lender Always Payday, incentivize repeat borrowing by providing customers with a *Frequent Pay Advance Card* offering the 9th loan free, if you take out 8 loans and pay the high rates and fees.

Repeat borrowers drive the payday loan business model and finance the alarming expansion of payday storefronts in Franklin County and across the state.

According to the Center for Responsible Lending, over 62% of all payday borrowers nationally are caught in the debt trap. In Ohio these borrowers pay more than \$318 million in fees that could be spent on essential family expenses such as food, clothing, rent and utilities. Contrary to industry talking points, repeat borrowing is not incidental to the business; it is the key to the payday lending industry's viability.



Ohio's 1995 policy decision to allow payday lenders to operate outside of the usury law was an error. Ohio's lawmakers should move immediately to correct this mistake, capping interest rates for all consumer loans, including payday loans, at 36% annually. The states that have stopped payday loan flipping are those that have enforced a similar two-digit usury cap. Congress has now legislated a 36% rate cap on payday loans to active military personnel and their families. Moreover, the regulator of Ohio's state-chartered banks, the FDIC, actively encourages their members to offer installment loans at 36% APR or less as an alternative to payday lending.

The OCRL believes that Ohio must take a simple, consistent, and comprehensive approach to address the problems in payday lending, including a 36% APR Rate Cap on payday loans; the ban of the questionable practice of using post-dated checks for security; and encouragement of small loan alternatives.

For a complete copy of the statewide *Trapped by Design Report*, visit the Coalition's website at www.ohiodebttrap.org.

Notable Quotes:

“And the theory in the business is you’ve got to get that customer in, work to turn him into a repetitive customer, long-term customer, because that’s really where the profitability is.”

Dan Feehan, CEO of Cash America, remarks made at the Jefferies Financial Services Conference (6.20.07)

“The secret to the success of the payday loan is its deceptive design. Specifically, we made the process very simple and easy at the front end to get people into the loan. But at the back end, we made it very difficult for customers to get out of the loan. It became a situation where our borrowers were like indentured servants, but with indefinite terms of servitude.”

-- ***Cameron Blakely, former Check ‘n Go Store Manager at a Washington D.C. press conference on Payday Lending. September 12, 2007***

“We train our sales staff to keep customers dependent, to make sure they keep re-borrowing, whether in the form of a renewal, or a back-to-back transaction, forever, if possible. We virtually guarantee customer retention by encouraging customers to borrow up to 85% of their gross income – that is, more money than they actually receive in their take-home pay. In Virginia, our policy is to loan 100% of gross income.”

-- ***Michael Donovan, former district director of operations for Check ‘n Go, at a Washington D.C. press conference on Payday Lending. September 12, 2007***

“We were trained to access customer’s bank accounts to see if there was money in them to pay us by using their account numbers and Social Security numbers, dialing into the automated line and essentially usurping their identities. We could track their purchases, see where they shopped. We would use this information to collect on our debts, making customers think that we knew where they were all the time and that they couldn’t escape us. I believe that payday lending is a corrupt and corrupting business.”

-- ***William Harrod, former Check ‘n Go Store Manager at a Washington D.C. press conference on Payday Lending. September 12, 2007***

Payday Fees & Trapped Borrowers 2006

Ohio Counties with 10 or More Storefronts

County	Payday Storefronts 1996	Payday Storefronts 2006	Loan Fees Charged	Number of Trapped Borrowers
Adams	0	2	\$410,283	409
Allen	2	12	\$2,461,695	2,456
Ashland	0	9	\$1,846,271	1,842
Ashtabula	0	11	\$2,256,554	2,251
Athens	0	6	\$1,230,848	1,228
Auglaize	0	6	\$1,230,848	1,228
Belmont	0	22	\$4,513,108	4,502
Brown	0	3	\$615,424	614
Butler	4	39	\$8,000,510	7,980
Carroll	1	6	\$1,230,848	1,228
Champaign	0	8	\$1,641,130	1,637
Clark	4	15	\$3,077,119	3,069
Clermont	0	18	\$3,692,543	3,683
Clinton	0	6	\$1,230,848	1,228
Columbiana	0	19	\$3,897,684	3,888
Coshocton	0	4	\$820,565	819
Crawford	0	11	\$2,256,554	2,251
Cuyahoga	13	160	\$32,822,603	32,740
Darke	0	5	\$1,025,706	1,023
Defiance	0	7	\$1,435,989	1,432
Delaware	0	7	\$1,435,989	1,432
Erie	0	8	\$1,641,130	1,637
Fairfield	2	11	\$2,256,554	2,251
Fayette	0	7	\$1,435,989	1,432
Franklin	28	183	\$37,540,853	37,447
Fulton	0	6	\$1,230,848	1,228
Gallia	0	9	\$1,846,271	1,842
Geauga	0	3	\$615,424	614
Greene	2	14	\$2,871,978	2,865
Guernsey	0	10	\$2,051,413	2,046
Hamilton	14	123	\$25,232,376	25,169
Hancock	0	9	\$1,846,271	1,842
Hardin	0	4	\$820,565	819
Harrison	0	1	\$205,141	205
Henry	0	4	\$820,565	819
Highland	0	7	\$1,435,989	1,432
Hocking	0	6	\$1,230,848	1,228
Holmes	0	2	\$410,283	409
Huron	0	10	\$2,051,413	2,046
Jackson	0	5	\$1,025,706	1,023
Jefferson	0	15	\$3,077,119	3,069

Knox	0	7	\$1,435,989	1,432
Lake	0	40	\$8,205,651	8,185
Lawrence	0	14	\$2,871,978	2,865
Licking	2	17	\$3,487,402	3,479
Logan	0	6	\$1,230,848	1,228
Lorain	1	30	\$6,154,238	6,139
Lucas	6	67	\$13,744,465	13,710
Madison	0	7	\$1,435,989	1,432
Mahoning	2	42	\$8,615,933	8,594
Marion	0	10	\$2,051,413	2,046
Medina	0	15	\$3,077,119	3,069
Meigs	0	3	\$615,424	614
Mercer	0	4	\$820,565	819
Miami	2	15	\$3,077,119	3,069
Monroe	0	2	\$410,283	409
Montgomery	14	83	\$17,026,726	16,984
Morgan	0	2	\$410,283	409
Morrow	0	2	\$410,283	409
Muskingum	2	14	\$2,871,978	2,865
Noble	0	1	\$205,141	205
Ottawa	0	0	\$0	0
Paulding	0	1	\$205,141	205
Perry	0	3	\$615,424	614
Pickaway	0	8	\$1,641,130	1,637
Pike	0	5	\$1,025,706	1,023
Portage	0	9	\$1,846,271	1,842
Preble	0	2	\$410,283	409
Putnam	0	3	\$615,424	614
Richland	1	22	\$4,513,108	4,502
Ross	1	12	\$2,461,695	2,456
Sandusky	0	6	\$1,230,848	1,228
Scioto	0	11	\$2,256,554	2,251
Seneca	0	6	\$1,230,848	1,228
Shelby	0	5	\$1,025,706	1,023
Stark	2	66	\$13,539,324	13,505
Summit	3	65	\$13,334,183	13,301
Trumbull	1	38	\$7,795,368	7,776
Tuscarawas	0	16	\$3,282,260	3,274
Union	0	1	\$205,141	205
Van Wert	0	5	\$1,025,706	1,023
Vinton	0	0	\$0	0
Warren	0	15	\$3,077,119	3,069
Washington	0	21	\$4,307,967	4,297
Wayne	0	19	\$3,897,684	3,888
Williams	0	8	\$1,641,130	1,637
Wood	0	11	\$2,256,554	2,251
Wyandot	0	2	\$410,283	409

About “Trapped in Debt, County after County”

In defining predatory payday lending, we consider borrowers who have had five or more loans per year to be caught in a cycle of debt. A borrower facing financial crisis rarely will be able to resolve their problem in two weeks and pay off their loan in full. Instead, they become caught in the cycle.

When analyzing data in counties with less than 10 storefronts, it's important to remember that loan volumes may vary depending on the age of the storefront and other factors.