1. **Amend the Credit Services Organizations Act, the Small Loan Act and the Mortgage Loan Act so small-dollar lenders may not broker or extend high-cost small loans except under the Short-Term Loan Act:**

   The intent of these provisions is to prevent or discourage payday and other small-dollar lenders from using unintended licenses, so that such loans are made only according to the provisions of the Short-Term Loan Act as amended in part 2 below.

   a. CSO licensees may not broker or extend any loan (1) in an amount less than $5,000; or (2) with a repayment term shorter than six months / 180 days.
   b. CSO licensees may not broker or extend loans that exceed a maximum allowable charge inclusive of any and all fees collected by the CSO. *The intent is to prevent CSO fees or add-on charges (including "voluntary" charges) from undermining the maximum fee provisions found in the underlying lending statutes.*
      i. Maximum 28% APR, inclusive of all interest, fees, and the cost of ancillary products such as credit insurance, memberships, and other products sold along with the credit from both the CSO and the third-party lender.
   c. Amend both the Ohio Mortgage Loan Act and the Small-Loan Act:
      i. Add a minimum contractual term of six months / 180 days.
      ii. Add an anti-evasion provision to prevent, for example, lenders from making compliant loans and then encouraging borrowers to prepay a part of the loan quickly to result in an effective loan that violates the required minimum loan size or duration.

2. **Amend Ohio's Short-Term Loan Act to allow high-cost installment loans only according to the provisions noted below and in the following table:**

   The intent is to substantially revise the existing Short-Term Loan Act according to these instructions and provisions in the table below. Together with the modifications in part 1 above, this should compel any payday lender making loans in Ohio to operate only in accordance with the STLA.

   a. Modify definition of "short-term loan" [1321.35(A)] as a loan to consumer that (1) has a contractual duration of 6 months/180 days or less; or (2) a contractual duration greater than 6 months / 180 days and a loan amount of $1,000 or less.
   b. Revise STLA: Replace current loan provisions according to the table below. This will result in a new type of loan repayable in installments over a period of time dictated by the maximum allowable monthly payment and maximum allowable costs.
      i. Existing STLA provisions for licensure, discipline, etc., should remain except as contradicted by the table below.

Policy Recommendation	Provision	Requirements
Limit payments to an affordable share of borrower's income	**1. Maximum Allowable Monthly Payment**	Total required monthly payment shall not exceed the greater of 5% of borrower's verified gross (pre-tax) monthly income or 6% of the borrower's verified net (post-tax) monthly income. • Income verified according to rules set by department, which rules shall include guidance for reasonably relying on evidence of recurring deposits to a depository account or one or more recent paystubs
Spread costs evenly over the life of the loan	**2. Amortization**	All loans are precomputed and require full amortization of balance to zero with all payments reducing principal.
	3. Prepayment; Refundability	The lender shall accept prepayment from a consumer prior to the loan due date and shall not charge the consumer a penalty if the consumer opts to prepay the loan.
		Upon prepayment or renewal / refinancing, all finance charges, inclusive of interest and all fees are pro rata refundable. • "Monthly fee is not fully earned at start of month." • Pro-rated monthly fee based on daily calculation (ratio of number of days loan was outstanding and number of days for which loan was originally contracted)
Guard against harmful collection practices	**4. Returned Check/Late Fee**	One returned-check fee or late fee per loan. Maximum fee is lesser of 5% of original loan principal or $20, plus any amount passed from another financial institution.
	5. Electronic payment plans	Lender may obtain authorization signed by the consumer to transfer or withdraw funds from the consumer's account.
	6. Acceleration	Upon 10-day delinquency and proper notice, issuer may accelerate the loan balance but collect only prorated interest and fees earned to date.
Require concise disclosures	**7. Disclosure**	Clear TILA disclosure: periodic payment, total repayment, total loan costs, APR inclusive of monthly fees, loan duration; notice of consumers' right to revoke ACH payment authorization and right to rescind.
Set maximum allowable charges	8. **Maximum Allowable Charges; Refinancing**	• Interest charges: 28% per annum • Monthly fee: 5% of first $400 originally loaned (maximum $20) • Refinancing is allowed but lenders can only charge interest of 28% per annum with no monthly fees. • Notwithstanding any other provision, total loan charges may never exceed 50% of the loan principal. For purposes of this calculation, all charges made in connection with the loan shall be considered except (1) an allowable returned check or late fee charged in accordance with the provision above; and (2) interest charges on loans that are refinanced according to the refinancing provision above.
		• There shall be no fees other than those enumerated here, including a ban of fees for brokering a loan, insurance, or other ancillary products. • Monthly maintenance fees may not be charged to active duty service members or their dependents.

Policy Recommendation	Provision	Requirements
Other pertinent provisions	**9. Duration**	The minimum loan duration for any loan shall be the number of months equal to the sum of the loan principal and all applicable charges, divided by the Maximum Allowable Monthly Payment. *Note: There is no fixed required loan duration. Lender will vary minimum duration based on borrower income and loan size, and the cap on total allowable loan charges of 50% of original principal discourages unnecessarily long loan durations.*
	10. Maximum Loan Size	$500
	11. Rescission	Right to rescind on or before 5 p.m. the next business day following the loan transaction.
	12. Number of loans	Only one **loan** from any one lender at any time.
	13. Incumbent payday loans	This loan structure shall replace existing small-dollar loan products: Supersede or delete all conflicting payday loan authorizing language.
Reporting	**14. Reports**	The superintendent shall require each licensee to report information annually on forms it prescribes. Superintendent shall publish an aggregate report to the public at least annually with the following information: number of borrowers, number of loans, average loan size, average charges per loan, total contracted loan charges, total loan charges actually paid, number of defaulted loans, number of charged off loans, dollar value of charged off loans, number of returned check/late fees and dollar value of same, average contracted APR, average experienced APR, total number of stores, average borrowers per store, and any other non-private information superintendent may wish to include.

Notes: *Colorado's Article 3.1 - Deferred Deposit Loan Act, July 1, 2011.
https://www.coloradoattorneygeneral.gov/sites/default/files/uploads/uccc/DDLA.pdf.