Ohioans *for*
Payday Loan Reform

Payday reform advocates elated with Ohio Senate approval of reforms

Bill protects vulnerable Ohioans, preserves payday lending in Ohio with fairer terms and cuts exorbitant borrowing costs that will pump money back into state economy

COLUMBUS – July 10, 2018 A statewide coalition praised the Ohio Senate for today passing sensible payday loan reforms that will save Ohioans millions of dollars each year, ensure a fair marketplace in the state and still give borrowers access to credit.

Ohioans for Payday Loan Reform, which is a diverse, bi-partisan statewide group, thanked Senate leadership for protecting vulnerable Ohioans with reasonable reforms, that – once they become law – will take Ohio from being the most expensive payday loan marketplace in the nation to one that is a model in reasonable and innovative payday lending regulations.'

The Senate today approved The Fairness in Lending Act, substitute HB 123, which made some modifications to the bill approved by the Ohio House last month, 71-17. Coalition members have been advocating for reform for nearly two years.

The legislation notably closes a loophole that has allowed the payday loan industry to avoid the law passed in 2008 and upheld by Ohio voters that year. Payday lenders ignored the will of the people and have gouged hard-working Ohioans for the past 10 years with outrageous fees and rates, charging much more than in other states. Over the past two years, the payday lenders and their army of lobbyists have tried to block these reforms.

"This law has no loops and no holes – it is watertight," said coalition leader Nate Coffman. "The Ohio legislature has acted on behalf of their constituents who use these short-term loans. This was a choice about the people versus payday lenders, and the Senate chose wisely."

The amended Senate legislation is likely to go back to the House for a vote. If the House approves the changes, the bill would be sent to Gov. John Kasich, which would mark the final step in a challenging effort that has witnessed considerable resistance from the payday loan industry.

The current reform legislation would not shut down the payday loan industry in Ohio, but instead would bring down prices and make payments affordable. The legislation is modeled after a similar measure now in effect in Colorado, where the payday lending industry is intact. In fact, three of Ohio's largest payday lenders continue to operate throughout Colorado.

Michal Marcus, another coalition leader said: "In the end, a group of fair-minded, hard-working Ohioans fought and won in a battle against the very well-heeled payday lending lobby. Ohio Senate President Larry Obhof and Senate Finance Committee Chairman Scott Oelslager earned my deep respect for listening, asking questions and then leading the Senate to do what is clearly the right thing. And all of this would not have happened without the dogged determination of House bill sponsors Kyle Koehler and Mike Ashford."

The legislation caps interest rates on payday loans at 28%, compared to astronomical rates charged by the lenders in an unreformed marketplace that saw loans with annual percentage rates of 400, 500, or even 600%. Those types of unfair borrowing costs and other difficult terms and conditions often trapped borrowers – many of whom live paycheck to paycheck – into a long-running cycle of debt where they take out a payday loan to pay off an earlier, pending payday loan.

By moderating the costs, borrowers will save tens of millions of dollars annually. That represents savings that can now be spent on basic family expenses such as food, shelter and transportation. Coalition leader Carl Ruby added that increased spending will reverberate positively in local economies throughout Ohio.

"This reform, and the resulting savings – which are considerable - is tantamount to a statewide economic development effort that involves no public money," said Ruby. "Instead of out-of-state payday lenders fattening their profits on the backs of Ohio working people, a big piece of that money will now stay in Ohio and will help families here live better."

Key tenets of the Senate reform legislation include:

- Borrowers get enough time to repay: At least 90 days unless the monthly payments are limited to 7% of a borrower's monthly net income or 6% of their monthly gross income.
- The cost of a loan (all fees and interest) cannot exceed 60% of the loan's original principal, meaning a $500 loan can cost no more than $300.
- Prohibition on title loans, balloon payments and interest-only loans.
- Allowing third parties to pay off loans on behalf of a borrower.
- Loans up to $1,000 and 12 months are permitted.
- A monthly maintenance fee of 10% of the loan amount, capped at $30, and an origination fee of 2% of the loan amount on loans of $500-$1,000 are permitted.

Coffman said that the bill leaves intact practices that benefit the payday loan industry, such as allowing lenders to gain access to borrowers' checking accounts. It also leaves the lender first in line to obtain payment, creating a very strong ability to collect what is owed.

"Today, our legislators represented their constituents and Ohioans across the state," he said. "This was legislation that needed to happen. Sometimes that's easier said than done, but today was a huge step forward in this necessary, good effort."

Ohioans for Payday Loan Reform consists of individuals, non-profit organizations and others from across Ohio, and includes groups representing veterans, churches, housing advocates and more.

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