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CONSUMER ADVOCATES WELCOME FEDERAL PAYDAY LENDING RULES
Call for Shutting Down Regulatory Loopholes

COLUMBUS, OH – Consumer advocates applauded new federal regulations against predatory lending during a news conference Monday, but exposed several weaknesses that must be fixed in order to truly rein in abusive lenders in Ohio.

The federal Consumer Financial Protection Bureau’s plan to regulate payday and car title loans comes eight years after two-thirds of Ohio voters approved a state law reducing maximum payday loan interest rates from 391% to 28% APR. Lenders, however, have found various ways to skirt the rate cap and continue issuing usurious loans.

“Despite an overwhelming mandate from Ohio voters to crack down on these legalized loan sharks, the state legislature has chosen to look the other way and let payday lenders keep bleeding their customers for every last dollar,” said Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio. “Now, after eight years of inaction by the state, these federal rules give us another opportunity to stop the cycle of debt.”

A recent report by the Center for Responsible Lending found that payday lenders drained nearly \$503 million from desperate Ohioans in 2015 – more than twice the \$239 million in fees they collected back in 2008. The CFPB’s new research has determined that 89% of payday loans in Ohio are taken with 60 days of the previous loan being repaid and 73% are taken on the same day as the previous loan was repaid.

Pastor Carl Ruby, of Central Christian Church in Springfield, said he’s seen the destructive impact of payday lending on members of his community.

“As an evangelical pastor I don’t see this as right issue or a left issue. This is a human dignity issue. It’s even a biblical issue. The Bible says that God will crush those who oppress the poor and God tells his followers to take up the cause of the poor. I think it is a moral wrong for payday loan centers to trap the poor in long cycles of debt at rates of nearly 400%,” he said.

“I expect the Republican elected officials who I typically vote for to support stiff regulations on payday lenders. Frankly, I’m disappointed that the regulations released this week aren’t stronger. Congress, with bipartisan support, saw fit to set a cap on interest rates to those serving in our military. I don’t see why poor single moms in Ohio don’t deserve the same,” Pastor Ruby added.

The draft rules are open for public comment through Sept. 14, after which the CFPB will consider feedback. The agency is expected to issue final payday lending regulations in 2017.

Kalitha Williams, policy liaison with Policy Matters Ohio, said the CFPB’s proposed rules would apply a common sense lending standard to payday lenders by requiring them to ensure that their customers can actually pay back a loan without going broke.

“These high cost loans are made with little or no underwriting to determine if the consumer can afford them. Borrowers spiral into a debt trap when they can’t pay back the loan in full, and are forced to keep refinancing and incurring staggering fees,” Williams said. “The proposed rule offers important protections. However, we believe more can be done to make the rule stronger. We will continue to work with the CFPB to develop a rule that will guard the financial stability of Ohio families.”

Advocates voiced concern about several proposed exceptions to the ability to repay requirement and inadequate limits on refinancing, or loan flipping.

Of particular concern is the “business as usual loophole,” which would allow lenders to claim that their ability to collect payment from a customer in the past meets the ability to repay requirement for future loans. This provision ignores the fact that payday and auto title loans get repaid because borrowers have no choice – lenders take money directly from their bank accounts on payday, or seize their cars. Borrowers often have little or no funds left over to pay the rent, utility bills or food.

Faith said advocates in Ohio and around the U.S. would continue fighting to strengthen the rules to ensure they accomplish the goal of shutting down irresponsible and predatory lending.

“The draft rules are a good start, but given our experience with payday lenders in Ohio, we know how easily they exploit loopholes, popping up in another place like a game of whack-a-mole. These regulations need to be airtight if they’re going to work,” Faith said. “We will keep pressure on the CFPB to strengthen these regulations so that they can finally put an end to the debt trap in Ohio.”

Ohioans can submit their comments on the CFPB’s payday and car title lending rules through an online advocacy portal at: <http://stop payday predators.org/OH/>

Additional Information:

- Watch the press conference on ProgressOhio’s Twitter feed: <https://twitter.com/ProgressOhio>

- CRL Report on Ohio Payday Loan Fees: <http://www.responsiblelending.org/research-publication/buckeye-burden-analysis-payday-and-car-title-lending-ohio>
- CFPB Report on Car Title Lending: <http://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-one-five-auto-title-loan-borrowers-have-vehicle-seized-failing-repay-debt/>
- CFPB Report on Hidden Costs: <http://www.consumerfinance.gov/newsroom/cfpb-finds-half-of-online-payday-borrowers-rack-up-an-average-of-185-in-bank-penalties/>