New Law, Same Old Loans:
Payday Lenders Sidestep Ohio Law

Executive Summary

Despite having one of the best-crafted payday lending laws in the nation, Ohioans are still paying triple-digit interest rates on payday loans. This report confirms initial findings that payday lenders in Ohio are deliberately circumventing the new Ohio Short-Term Loan Act, which among other protections instituted a maximum 28 percent annual interest rate on loans.

A payday loan is a short-term loan based on a post-dated check in anticipation of a person's next pay period. An origination fee and interest are added to the cost of a loan. For this report, Policy Matters Ohio visited and called 69 payday loan stores in Ohio to explore payday loan costs, terms, and conditions.

Despite contradictory and opaque information, which made analysis difficult, we found that every payday lender analyzed continues to charge triple-digit interest rates. The most common annual percentage rate (APR) quoted was 10 times the maximum allowable rate affirmed by Ohio voters last November. In addition to finding that pricing information was difficult to obtain, the survey found:

- All payday lenders surveyed continue to make loans due on the borrower's next payday, which is typically less than or equal to fourteen days away. This is not in compliance with the Short-Term Loan act, which guaranteed borrowers at least 30 days to pay back loans and established other consumer protections to keep borrowers out of the debt trap.
- Seven of the nine largest payday lenders issue the loan in the form of a check or money order and charge a cashing fee while another lender appears to be automatically including the fee and then issuing the loan in cash. By charging the borrower a 3 to 6 percent fee for cashing the lender's own out-of-state check (a check that presents no risk to the lender of insufficient funds), the cost of a $200 loan can climb to higher than 600 percent APR.
- Most if not all payday lenders are making larger loans than permitted under either the short-term loan act or the old payday loan law. Online loans, brokered through stores, carry larger principles and are even more expensive.

Seven of nine payday lenders surveyed accept unemployment, Social Security, or disability checks as collateral.

Read the full report and learn more about an economy that works for all:
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