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For Immediate Release: 10/15/2008
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Read the report: http://www.policymattersohio.org/WiseCounsel2008.htm

Survey finds credit counselors critical of payday loans

A recent survey of Ohio credit counselors found that these accredited professionals are deeply concerned about the costs of payday loans to their clients. The responses, summarized in a new report from Policy Matters Ohio, revealed a consistent conclusion that payday loans are harmful to low- and middle-income working families.

Of the 17 counselors surveyed, representing 28 counties in Ohio, not one recommended using payday loans. Counselors were particularly alarmed at the high interest rate of loans and the number of clients who had several loans outstanding at once. On average, counselors said that their clients had outstanding payday loan debts of $1000, and that their clients, on average, owed debts on four different loans at any given time. Counselors also mentioned payday loan debt interfering with paying other household expenses such as housing and transportation costs.

“Credit counselors confirm the dangers of the traditional payday loan product,” said David Rothstein, report author. “There is no question that the high interest rates and short pay-back period of this product keep families in a cycle of debt.”

Counselors made several recommendations for clients with short-term financial problems, including:

- Developing emergency savings plans
- Using Ohio credit union “stretch pay” programs
- Not paying one payday loan off with another payday loan

The report recommends the preservation of HB 545, a bipartisan bill that caps the annual percentage rate of payday loans to 28 percent down from 391 percent. To preserve the reforms in this bill, Ohio voters will need to vote “yes” on Issue 5 on the November ballot.

Policy Matters Ohio is a non-partisan research center, on the web at www.policymattersohio.org