Recordpub.com

MARC KOVAC: Curbs on Ohio payday lenders sought

July 29, 2007

By Marc Kovac

Record-Courier Capital Bureau

COLUMBUS -- A growing coalition is pushing state lawmakers to enact stricter limits on so-called payday loans, which they say are targeting and trapping Ohioans.

And they're not mincing words about the industry.

"We want to see this line of business gone," said Paul Bellamy of the Ohio Coalition for Responsible Lending (online at

www.cohhio.org/advocacy_responsible_lending.php).

It's hard to drive by a strip mall (particularly in income-strapped areas) without spotting one or two or more of these lenders.

In the past decade, the number of locations has grown to 1,500-plus from about a hundred, said Bellamy, citing a study released earlier this year by Policy Matters Ohio and the Housing Research & Advocacy Center. (It's titled "Trapped in Debt" and can be found online at www.policymattersohio.org.)

In Portage County, the number of payday loan storefronts increased to nine in 2006 from none a decade earlier. The number also increased in Stark County (66 last year from two a decade earlier), Mahoning (42, from two), Trumbull (38, from one) and Summit (65, from three).

"The expansion has been phenomenal in the last 10 years," Bellamy said.

The businesses do provide a service for some. If you're strapped (and provided you have a job and a checking account), you can stop in, post-date a check for the amount you need and walk out with cash for bills or groceries or unexpected expenses.

There's a cost (usually about $15 for every $100 borrowed, Bellamy said). And loans are due a couple of weeks later. For someone needing extra money once in a while, that doesn't sound like a bad deal. It's costly -- the annual percentage rate equals nearly 400 percent on a $300 loan, according to the coalition -- but emergencies happen.

Unfortunately and too often, Bellamy said, borrowers realize they're still a few dollars short after their next payday rolls around. So the cycle repeats.

"Most of the people who get a payday loan will pay it off, but then they have to go and reborrow," he said. "These are the folks we're worried about. They're going down a road where they keep borrowing the same 300 bucks."

According to the coalition, the average borrower takes out seven to 14 loans annually.

"Any way you slice and dice this business, they depend upon the repeat borrower, and that repeated borrower is the person who can least afford (it)," Bellamy said.

So how would they fix the situation?

According to the coalition, West Virginia, Pennsylvania and 11 other states have already banned payday loans, and the federal government last year imposed a cap of 36 percent on payday loans to military families.

The coalition is calling for Ohio lawmakers to:

* Cap the annual percentage rate on payday loans at 36 percent.

* Require better disclosure of loan terms.

* Allow no loan rollovers, no waivers of state or federal rights, no mandatory arbitration or obstacles to consumer action, no checks or other methods of access to financial accounts as security, no auto titles as security, no pre-payment penalties and no allotments for repayment.

Marc Kovac is the Dix Newspapers Capital Bureau chief. E-mail him at mkovac@dixcom.com. His Capital Blog can be found online at blogs.recordpub.com/capitalblog.