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Six Ohio mayors call for limits on payday lending

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Six of Ohio's big-city mayors have pledged support of a crackdown on payday lending practices, citing an explosion in the growth of payday stores when families are facing mounting economic challenges.

The mayors of Columbus, Cincinnati, Cleveland, Youngstown, Akron and Dayton support a cap on lending rates charged by payday lenders. A bill before the Ohio Legislature supported by the Ohio Coalition for Responsible Lending would cap the annual percentage rate at 36 percent, and would prohibit lenders from giving one customer more than six loans each year.

Currently, payday lenders charge an average annual rate of 391 percent and give more than seven loans a year to the average customer, a report released last year by the coalition found.

Critics of the industry say its business model is dependent on trapping customers in a cycle of debt in which additional loans must be taken out to pay for previous loans. Payday lenders frequently provide a loan of about $300 that must be paid back after two weeks, along with a fee of about $45.

Payday lenders have said a drastically lower lending rate, such as 36 percent, would put them out of business. The loans provide a short-term opportunity for borrowers to get quick cash and pay off bills before a paycheck comes in, they have said.

The coalition is pushing a "political agenda" that is not in the best interest of Ohio consumers, said Darryl Dever, spokesman for the Ohio Financial Service Centers Association.

The industry supports a bill that wouldn't cap interest rates but would enable customers to extend the terms of a payday loan with no additional fee or interest if they cannot pay at the time.

The mayors, led by Columbus' Michael B. Coleman, came out in favor of the rate cap after a recent report found that the number of payday lending stores in Ohio has seen a 14-fold increase since 1996. The number of stores is now 1,638, according to the report by Policy Matters Ohio and Housing Research and Advocacy Center.

Franklin County has 189 payday lending storefronts, the highest number in the state, the report found.

"We don't begrudge businesses from growing and lending operations as a concept, but the mayor does believe there has to be some common sense and short-term controls," said Mike Brown, a spokesman for Coleman. Coleman believes payday lending practices, along with the foreclosure crisis and other economic pressures, are destabilizing neighborhoods and draining government coffers.

Support from the six mayors could provide momentum to the legislative proposals to cap interest rates. The proposal supported by the payday industry, as well as the bill pushed by the coalition, were introduced in committee in October and are now getting more attention.

The home foreclosure crisis, and the resulting scrutiny that has been placed on lenders who provided mortgages to people with no ability to pay for them, has encouraged state lawmakers to look at the payday lending business model, said Bill Faith, a lobbyist for the Ohio Coalition for Responsible Lending.

"It's taken a long time but I think more and more legislators are realizing that something needs to be done," Faith said.

The debate over what to do about payday lending is not partisan. The bill supported by the coalition is being co-sponsored in the Ohio House by Rep. William G. Batchelder of Medina, a Republican, and Rep. Robert F. Hagan of Youngstown, a Democrat. Another bill soon to be introduced in the Senate will be co-sponsored by Sen. Timothy J. Grendell of Chesterland, a Republican, and Sen. Ray Miller of Columbus, a Democrat, Faith said.

Attorney General Marc Dann and a few Ohio lawmakers have scheduled a third public hearing on payday lending on April 9 in Columbus. Previous hearings were held in Cleveland and Cincinnati.