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Coalition Sets Sight on Payday Lending, this Time at the Federal Level

Urges Support for Durbin-Cartwright bill; Strong CFPB Regulations

Frustrated by an industry that dodges regulations while continuing to trap consumers in a cycle of debt, COHHIO and partners of the Ohio CASH Coalition are calling for federal action to curb payday lending abuse in Ohio.

The Coalition is targeting the Consumer Finance Protection Bureau (CFPB) and the Ohio Congressional delegation in support of two important federal efforts, including pushing the CFPB to develop strong regulations to rein in payday lending nationally; and urging Ohio's federal lawmakers to co-sign the Durbin-Cartwright bill (S673/HR 5130), the *Protecting Consumers from Unreasonable Credit Rates Act*. The bill would cap the interest rate at 36% APR on consumer credit products such as payday loans and auto title loans, which can go as high as 700% APR (see "[Keys for Collateral](#)" study). The letter sent to Ohio's Congressional delegation is attached.

The CFPB, led by Ohio's former attorney general Richard Cordray, is in the late stages of developing rules for the industry. His office has been studying thousands of consumer complaints since 2012. In July, the CFPB reached a \$10 million settlement with Ace Cash Express, one of the country's largest payday lending companies, over illegal collection tactics.

The Coalition supports the CFPB in issuing the tightest rules possible. Among them:

1. Require lenders to take into account a borrower's ability to repay the loan when considering income and expenses;
2. Limit the amount of time that lenders can keep borrowers in payday loan debt to no more than 90 days in a 12 month period; and

3. Restrict lenders from requiring a post-dated check or electronic access to a borrower's checking account as a condition of extending credit.

“Rich Cordray has watched this industry rip off struggling customers all over the country, and even thumb its nose at the law in his home state,” said Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio (COHHIO). “We are confident that Rich will be able to do what Ohio failed to do at the state level five years ago, which is to rein in this financially abusive industry.”

COHHIO helped lead the charge in 2008 to cap payday lending interest rates at 28% APR. The Short Term Lender Law passed in June and was overwhelmingly affirmed at the polls in November after the industry challenged the law through referendum. Later, the industry sidestepped the law and began lending under different and inappropriate statutes, all the while packing in fees and charges to boost APR to 300% and beyond.

“The Ohio legislature has been unsuccessful at taming the payday industry, which makes the Durbin-Cartwright bill even more important for working families who struggle just to get by,” said Kalitha Williams, policy liaison of Policy Matters Ohio and convener of the Ohio CASH Coalition. “This is why the Coalition supports the rate cap bill and hopes members of the Ohio delegation will do the same.”

The Durbin-Cartwright bill would enact a 36% interest rate cap for rates associated with consumer credit products, including payday loans and car title loans, which typically carry triple digit interest rates.

“We’re confident the Ohio delegation will see the Durbin-Cartwright bill as a way to level the playing field among lenders and stop the unnecessary drain of critical dollars from families who need it most,” Faith said.

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Ohio CASH, a project of Policy Matters Ohio, stands for Creating Assets, Savings and Hope and is the state asset building coalition focused on family financial stability and consumer protection.

COHHIO is a coalition of organizations and individuals committed to ending homelessness and to promoting decent, safe, fair, affordable housing for all, with a focus on assisting low-income people and those with special needs.