3 payday licenses to be revoked

Lawmakers crafting bill to enforce voter-passed limits

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BY JIM SIEGEL

THE COLUMBUS DISPATCH

As the Ohio Department of Commerce cracks down on payday lenders who are forcing borrowers to pay check-cashing fees, a bill that would limit interest rates on payday loans is being reworked in an effort to pick up more legislative support.

Commerce notified three payday lenders -- Check into Cash in Toledo, Quik Cash in Cleveland and 1st Choice Financial in Washington Court House -- that the state intends to revoke their lending licenses.

Most payday lenders in Ohio now issue checks instead of cash and then charge customers a fee to cash that check in the store. But Commerce officials said the three companies require the fees as part of the loan, rather than giving customers the option to cash checks elsewhere.

The companies can fight the action in hearings scheduled over the next three months.

"We firmly believe this model is enabled by state law," said Tom Linafelt, spokesman for QC Holdings, which operates Quik Cash. He said the company's check-cashing services are not provided as a condition of the loan.

Bill Faith, executive director of the Ohio Coalition on Homelessness and Housing in Ohio and a leading payday opponent, said the Commerce Department's action is a "good half-step," but without a new law, he doesn't think the state has enough authority to rein in the fees.

House Bill 209 would cap at 28 percent the annual interest on loans under $1,000 issued for a period of less than 90 days. Supporters say the bill does what state leaders and Ohio voters wanted to do in 2008 when legislation capping payday rates at 28 percent was passed and then overwhelming reaffirmed in a statewide referendum vote.

Though about half of Ohio's 1,600 payday lending stores closed, those that remained simply changed lending licenses to avoid the new restrictions.

Lenders cannot charge the straight 391 percent interest rate ($15 per $100 on a two-week loan) as they did under the old law, but they now use origination, credit-verification and check-cashing fees to charge roughly the same amount as before.

Opponents say the high rates, plus the two-week loan terms, trap too many borrowers in a cycle of debt where they repeatedly take out new loans to pay off old ones. The industry has argued that further limiting fees would put them out of business, cutting off credit to people who often have no where else to turn.

"We have not yet reached consensus on the right approach," said House Speaker Armond Budish, D-Beachwood. "I believe the voters spoke and want to see changes made in the payday lending status."

House Minority Leader William G. Batchelder, R-Medina, a champion of payday lending changes in 2008, said he wants some changes to the bill, but added, "We've got to do something. The public has voted on this."

There are opponents in both parties, which has left the bill sitting in committee for eight months. Some Republicans don't want to impose more government regulation, while some Democrats, including some members of the Ohio Legislative Black Caucus, which teamed up last year with CheckSmart to offer financial training sessions, worry about further reducing credit options, especially as banks tighten lending.

"When we take away an option such as these entities that are serving aspects of our community statewide then who is going to address the issue of these constituents that are under-banked and under-served?" said W. Carlton Weddington, D-Columbus.

Rep. Joseph F. Koziura, a Lorain Democrat and chairman of the House Financial Institutions Committee, said he is "determined to get this bill out of committee, or at least have a vote on it."

He and Rep. Matt Lundy, an Elyria Democrat and bill sponsor, said the bill could be reworked to prohibit companies from charging to cash their own checks and limit the number of origination fees that can be charged.

"The voters weighed in. We couldn't have a more vetted policy," Faith said. "To go back and say we want to keep payday lenders operating in much the same way they've operated historically is ridiculous to me."

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Thomas Suddes commentary: Lawmakers are turning their backs on wishes of voters

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BY THOMAS SUDDES

In a brazen betrayal of Ohio's voters, the General Assembly -- Democrats and Republicans alike -- looks the other way while payday lenders, the business world's vultures, keep gouging Ohio borrowers.

In 2008, 3.4 million Ohioans -- almost 64 percent of those voting -- voted yes on State Issue 5, which capped annual percentage rates on payday loans at 28 percent. Till then, payday lenders had been pillaging Ohio with APRs as steep as 391 percent.

They still are. Payday lenders ducked Issue 5. They got themselves relicensed under Ohio's small-loan law and mortgage-loan law. Those laws weren't designed to cover short-term, small-amount loans. But payday lenders' crafty lawyers helped lenders game the fees that Ohio's small-loan law and mortgage-loan law permit.

What's happened, in effect, is that payday lenders simply repackaged their Ohio product. They didn't change that product -- or its price. And that, cheated voters, means business as usual. According to Policy Matters Ohio, Ohio's (former) payday lenders, disguised with small-loan licenses and mortgage-loan licenses, are charging payday-loan borrowers APRs ranging from 225 percent to, yes, 391 percent.

Last June, Rep. Matt Lundy, an Elyria Democrat, moved to close the loopholes. His bill would forbid APRs greater than 28 percent for a loan of $1,000 or less unless the loan was for more than three months or required three or more installments. Now it's February, and Lundy's bill is stalled in the Ohio House Financial Institutions, Real Estate and Securities ("FIRES") Committee.

On the committee are 11 Democrats and 10 Republicans. The Democrats don't unanimously back a 28 percent APR cap. And the Republicans seem at best standoffish. But unless someone gets off the Statehouse dime, payday lenders can keep thumbing their noses at Ohio voters. And that makes the November 2008 referendum a stolen election.

Statehouse-wise, the FIRES committee's wavering is bipartisan and cross-demographic. For example, Rep. Sandra Williams of Cleveland represents the 11th House District. According to Ohio Manufacturers' Association data, her district -- measured by its $21,450 median household income -- is the poorest of all 99 House districts. Democrat Williams, asked what Ohio's payday loan APR cap should be -- voters' 28 percent, or another - said: "I don't know what the number should be. There should be a limit." But the voters who send Williams to Columbus have decided what APR they want. Of 101 precincts in her district, 91 precincts voted yes on Issue 5 -- yes to a 28 percent APR.

Another FIRES committee Democrat is Rep. W. Carlton Weddington of Columbus. His House district, in terms of median household income ($25,013) is Ohio's third-poorest. Weddington said he hasn't decided what Ohio's payday-loan APR cap should be. "I'd be doing you a disservice if I gave you a number," he said. But Weddington's constituents have made up their minds. His district's 81 precincts all voted yes to Issue 5's 28 percent cap.

Meanwhile, the FIRES committee's top Republican, Rep. Josh Mandel of Lyndhurst, who's running for state treasurer, said he, too, isn't sure what APR cap Ohio should set for payday loans. Mandel's district, in contrast to Williams' and Weddington's, is wealthy -- third-wealthiest of 99; median household income is $61,836. While Mandel crunches the Lundy bill's numbers, he might consider this number: Of 147 precincts in Mandel's 17th District, 146 voted yes on Issue 5 -- yes to a 28 percent APR payday-loan cap, the Lundy bill's cap.

But what Ohioans want might not count. What might count instead is what lobbyists want. And payday-loan lobbyists don't think a mere election should rock payday lenders' boats. So far, it hasn't.

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