

CONSUMER AFFAIRS & ECONOMIC PROTECTION COMMITTEE

Testimony "Small Loan Consumer Protection Act"

By Representatives Matt Lundy and Gerald Stebelton

Vice-Chairman Skindell, Ranking-Member Hall and members of the committee, we are pleased to have the opportunity to present to you testimony for the "Small Loan Consumer Protection Act."

In June of 2008, the Ohio Legislature passed, with bi-partisan support, HB 545 "The Short Term Lender Law." The law was challenged by the Payday Industry but upheld by 64% of Ohio voters who voted to affirm HB 545.

The industry and its lenders shifted to other lending statutes including the Small Loan Act (SLA), The Ohio Mortgage Loan Act (OMLA) and even the Credit Service Organization (CSO) statute. Under these programs the industry was able to pack on new fees.

One example is the industry's practice of charging a customer upwards of a 10% fee to cash a check issued by the lender itself. This check-cashing fee replaced the previous practice of giving the borrower a cash loan.

In an effort to provide consumer protection for Ohioans seeking short-term small loans, this bi-partisan bill will focus on only three core areas of small loans:

1. Prohibit lenders licensed under all small loan and mortgage lending statutes from charging fees for cashing their own checks
2. Prohibit lenders from charging an origination fee or a credit check fee more than once in a 90-day period on loans of \$1,000 or less.
3. Prohibit lenders from charging a fee to broker loans from another organization; or a fee to act as a credit service organization on behalf of the borrower.

These three changes to our current small loan programs in Ohio will go a long way in helping to protect Ohio consumers. We appreciate the opportunity to bring this bi-partisan bill to you and are prepared to answer member questions.

Governor's Statement on the Small Loan Consumer Protection Act

Columbus, OH – Ohio Governor Ted Strickland today made the following statement on the bipartisan introduction of the Small Loan Consumer Protection Act in the Ohio House of Representatives: “In 2008, Ohio voters sent a strong message that they wanted to see greater consumer protections against predatory lending practices,” Strickland said. “Since then, my administration has been using the regulatory and rule-making tools available to the Ohio Department of Commerce to strictly enforce the letter and spirit of the law. This legislation is the practical next step to strengthen the laws on the books and close loopholes to enact safeguards for Ohio families. “The bipartisan introduction of the Small Loan Consumer Protection Act will strike at the core loopholes payday lenders have found in the law to continue to take advantage of Ohio families. I congratulate the members of the Ohio House for working together to move forward legislation that is in the best interest of Ohioans, and I urge the House and Senate to work together to get this legislation to my desk as soon as possible.” The Small Loan Consumer Act will prohibit lenders licensed under all small loan and mortgage lending statutes from charging fees for cashing their own checks, or charging origination and credit check fees more than one in 90 days. It will also prohibit payday lenders from charging fees to broker loans or when acting as a credit service organization on behalf of a borrower. --30--