DREHER TOMKIES LLP

ALERT

FOR CLIENTS AND FRIENDS OF DREHER TOMKIES LLP

May 24, 2017

OHIO GENERAL ASSEMBLY PASSES NEW CONSUMER INSTALLMENT LOAN ACT

The Ohio Generally Assembly has passed Ohio S.B. No. 24 that enacts the Ohio Consumer Installment Loan Act (CILA). The new lending law generally mirrors the existing OMLA, the general lending law in Ohio, but has additional restrictions including:

- The loan term must be six months or more from the loan transaction date;
- The loan generally must require equal monthly payments with exceptions for variable rate loans and open-end credit;
- The loan may not be refinanced during the first 120 days of the loan;
- A loan origination fee may not be imposed more than three times in any 12 month period; and
- The loan must not be secured by real property.

Additionally, the CILA expressly does not apply to the following:

- Any credit transaction secured by an interest in the borrower's residential mortgage loan;
- Any credit transaction that originates as a result of a referral from a person registered or acting as a credit services organization under Ohio law;
- Any credit transaction made by a person licensed as a check-cashing business under Ohio law;
- Any credit transaction made by a retail seller as a retail installment sale under Ohio law;
- Any credit transaction made by a person licensed or acting as a pawnbroker under Ohio law;
- Any credit transaction made by a person licensed under the Short-term Lending Law;
- Any credit transaction made by a collection agency;
- Any credit transaction made by a licensed premium finance company;
- Any credit transaction made by a licensee doing business under the Small Loan Law;
- Any credit transaction made by a registrant doing business under the Ohio Mortgage Loan Act.

The CILA permits a $25 credit investigation fee, while the OMLA permits a $15 credit investigation fee. The CILA permits 25% per annum on closed-end loans, the same rate permitted under the OMLA, but permits 28% per annum on open-end credit.

According to testimony on the bill, the CILA was enacted at the request of "traditional" installment lenders that did not like using the same lending statute as mortgage lenders and "payday" lenders. Because of the additional restrictions under the CILA, we generally would recommend against lenders lending under new the Act.

S.B. No. 24 will be sent to the governor for his signature. The governor is expected to sign the bill. The bill provides for an effective date of July 1, 2017.

Please let us know if you have any questions or would like more information. ❑

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