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Ohio Department of Commerce takes steps to revoke payday lenders' licenses

By Sheryl Harris, The Plain Dealer
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The Ohio Department of Commerce announced Tuesday that it has taken steps to revoke the lending licenses of three payday lenders.

The department said Check Into Cash, Quik Cash and 1st Choice Financial had ignored Commerce's warnings against issuing loans in check form and then charging customers to cash the checks.

The department alleged the practice is being used to evade the state caps on loan fees.

For years, Ohio allowed payday lenders, who make loans against consumers' next paycheck, to charge 391 percent annual interest rates on their loans. But in late 2008, Ohio voters supported the creation of the Short-Term Loan Act, which capped quick turnaround loans at 28 percent.

When the law went into effect, though, the majority of payday lenders exploited a loophole in state law and switched their licenses to either the Small Loan Act or the Mortgage Lending Act. The license switch in licenses allowed them to conduct business pretty much as usual.

Many of the lenders, who had always issued loans in cash form, began issuing loans as checks that they then charged customers additional fees to cash.

The state said it sent warning letters to the companies in the spring advising them to stop. It said examinations of payday stores last fall showed stores were continuing to charge customers to cash the loan checks.

Check into Cash spokesman Ryan Harris said the company had no comment on pending litigation.

Other companies did not immediately respond to requests for comment.

When these types of orders are issued, companies can contest the allegations at a department hearing, agree a license revocation, or settle the charges, which usually means agreeing to a cease and desist order.

Hearings have been set for all three companies within the next three months.

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Could a compromise settle Ohio's payday lending issues? Depends on the deal: editorial

By The Plain Dealer Editorial Board
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Ohioans may be about to confront one of the classic dilemmas of state politics: When is a half-loaf better than none?

Fifteen months ago, nearly 3.4 million Ohioans voted to limit annual percentage rates (APRs) on payday loans to 28 percent; they had been as steep as 391 percent. Payday lenders promptly weaseled around that cap by getting licensed as "small loan" or "mortgage loan" lenders. That lets them again charge APRs up to 391 percent, according to the Policy Matters Ohio think tank.

So Rep. Matt Lundy, an Elyria Democrat, wrote a bill to close that loophole. Lundy's bill, as drafted, would forbid lenders (even if licensed as small-loan or mortgage-loan lenders) from charging APRs greater than 28 percent for a loan of $1,000 or less, unless it was for more than three months or required three or more installments.

His bill surfaced June 4; it's still pending in the House Financial Institutions, Real Estate and Securities Committee, composed of 11 Democrats and 10 Republicans. Some committee Democrats are wavering over the 28 percent APR cap. And some committee Republicans -- even though the GOP passed the original payday-loan limitation -- seemingly think it's the Democrats' turn for heavy lifting. But without at least some GOP votes, the bill, even if it passes the committee and House, could die in the GOP-run Senate.

A compromise may be in the offing, and given the willingness of House members to defy voters, it may well offer lenders too much.

Any genuine compromise would slash -- and deeply -- the interest Ohio allows lenders to charge under the small-loan and mortgage-loan laws. And it would impose a watertight ban on lenders charging borrowers a fee to cash their loan checks. When those two items are on the table, maybe -- maybe -- there will be something to talk about.