



OHIO TENTH DISTRICT COURT OF APPEALS UPHOLDS CHARGING 25 PERCENT UNDER OHIO MORTGAGE LOAN ACT

The Ohio Tenth District Franklin County Court of Appeals held that a registrant under the Ohio Mortgage Loan Act (“OMLA”) may contract for and receive an alternative interest rate of 25 percent. *E-Z Cash Pawn Shop, Inc. v. Minor*, 83 N.E. 3d 981 (Ohio App. 2017).

The registrant issued a loan to the consumer with a 25 percent simple interest rate included in the loan agreement. The consumer alleged that the registrant violated the OMLA by charging an interest rate in excess of the 21 percent interest rate, which is also authorized under the Act.

Two different interest rate authorities exist under the OMLA. The OMLA generally permits a registrant to contract for and receive interest at a rate not exceeding 21 percent. The second authority is found under the alternative rate statute, which was originally enacted with a sunset provision. The alternative rate provision became permanent when the sunset provision was repealed by amendment in 1994. The consumer’s argument in this case was that the 21 percent interest rate trumps the 25 percent alternative interest rate. The court did not agree, explaining that the alternative rate provision also permits a registrant to contract for and receive interest at any rate agreed upon by the parties to the loan contract, not exceeding an annual rate of 25 percent.

The court relied on *Ohio Neighborhood Fin., Inc. v. Massey*, a prior Ohio Tenth District Court of Appeals decision that determined that the alternative interest rate applied to a loan agreement that included a promise on the part of the debtor to pay interest at a rate of 25 percent annum, when making its ruling.

Thus, the Ohio Tenth District Court of Appeals has reaffirmed that the OMLA authorizes both the 21 percent interest rate and the 25 percent interest rate. This position has also been upheld in the Ohio Fourth, Fifth, Sixth, Seventh, Eighth and Ninth Districts Court of Appeals. Please contact us with questions or to discuss your loan agreements. □

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