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Ohio payday lending continues to grow, reaches 1,638 stores Stores offer loans at maximum rate of 391%, families trapped in debt trying to pay

The number of payday lending stores licensed in Ohio continues to grow, from 107 locations in 1996 to 1,638 locations in 2007, a more than fourteen-fold increase since 1996, according to an updated report from the Housing Research & Advocacy Center and Policy Matters Ohio.

The number of payday lending locations in Ohio has exploded in the past decade. Payday lending shops sell short-term, high-interest loans against a future paycheck. Fees in Ohio are usually \$15 for every \$100 borrowed for a two-week period, which amounts to an annual percentage rate of 391 percent. "The outrageous fees charged by payday lenders are very troubling and can pull borrowers into a cycle of debt," said Jeffrey Dillman, report co-author and Executive Director of the Housing Research & Advocacy Center.

The study also used testers to visit payday lending stores, finding that all 36 stores visited charge the maximum interest rate and fees allowed by current Ohio law. Some stores could not explain the annual percentage rate (APR) to the testers.

An analysis of an average family budget confirmed that low-income families had little opportunity to pay a loan back with the high interest rate and short pay back schedule. "Families often turn to additional loans to pay off the first one," said David Rothstein, report co-author and researcher at Policy Matters Ohio. "The industry itself has acknowledged that the average borrower in Ohio takes out eight loans every year."

The updated study, based on data from the Ohio Department of Commerce also found:

- Payday lending has become a much more ubiquitous part of the overall Ohio landscape. Sixty-eight counties had more than one payday lender per 10,000 people. Forty-one counties, seven more than last year, had more than ten lenders.
- Franklin, Cuyahoga, and Hamilton counties each had well over one hundred payday lenders in 2007, with 189, 163, and 125 locations respectively.
- Large urban counties have the most payday lenders in absolute terms, but less populated counties have a greater number of lenders per capita. Of the ten counties with the highest concentrations, not one is a large urban county. Belmont County had the highest concentration, with 3.56 lenders for every 10,000 people.

The report ends by recommending that Ohio borrowers be provided the same protections that were recently enacted on the federal level for military families by capping interest rates at 36 percent. “Ohio should ensure reasonable and transparent costs for loans,” said Rothstein.

Policy Matters Ohio and the Housing Research & Advocacy Center are both non-partisan research centers, on the web at www.policymattersohio.org and www.thehousingcenter.org.