



Housing Research & Advocacy Center
3631 Perkins Ave., #3A-2, Cleveland, OH 44114 – Phone: (216) 361-9240 – Fax: (216) 426-1290

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Contact: Jeffrey D. Dillman, (216) 361-9240, jdillman@thehousingcenter.org
Read the report: <http://www.thehousingcenter.org/Publications/Research-Reports.html>

Payday Lenders Operating in 81 Ohio Counties, Charging Up to 680% Interest **Lenders avoiding 28% APR cap passed by legislature & voters in 1,020 stores statewide**

Despite legislation passed in 2008 aimed at lowering interest rates on short-term loans, payday lenders are operating in 81 of Ohio's 88 counties, making loans that in some cases carry a 680% annual percentage rate (APR), 24 times more than the rate that was approved by the legislature for such lending. Payday lenders have avoided the 28% APR rate cap set out in the 2008 legislation by obtaining licenses to make loans under other Ohio laws. The lenders now operate 1,020 stores statewide in which loans can have rates that are higher than under the previous 391% limit, compared to only 19 that are subject to the 28% rate cap, a report by the Housing Research & Advocacy (the "Housing Center") found.

Jeffrey Dillman, Executive Director of the Housing Center and co-author of the report, stated, "Payday lenders have ignored the will of the legislature, the Governor, and the people of Ohio, who voted overwhelmingly to cap the interest rate on short-term loans at 28%. It is outrageous that payday lenders are now charging even higher rates for their products."

The Housing Center's report, entitled "The New Face of Payday Lending in Ohio," uses data provided by the Department of Financial Institutions in Ohio's Department of Commerce to analyze the locations of payday lenders who have obtained new licenses in order to keep making these high-cost loans. This report follows two studies conducted by the Housing Center and Policy Matters Ohio which examined the growth of the industry in Ohio.

In this new report, the Housing Center also found:

- Since May 1, 2008, 632 licenses have been issued under Ohio's Small Loan Act (SLA) to former payday lenders and others. Under the SLA, interest and fees on a \$100.00 loan are even higher than under Ohio's former payday lending statute, with an APR of 423% on a 14-day loan.
- Since May 1, 2008, 653 licenses have been issued under Ohio's Mortgage Loan Act (MLA), which allows lenders to make unsecured loans. Under the MLA, interest and fees on a \$100.00 loan can be \$26.10, with an APR of 680% on a 14-day loan.
- Although the total number of storefronts offering payday loans has decreased from 2007 to 2009, such stores remain in 81 of Ohio's 88 counties.
- The counties with the most storefronts are Cuyahoga (121), Franklin (116), and Hamilton (87). Per 10,000 residents, the counties with the most storefronts are Fayette (6 stores, or 2.11 per 10,000 residents), Washington (12 stores, or 1.90 per 10,000 residents), and Hancock (12 stores, or 1.68 per 10,000 residents).
- In 2007, the top 10 payday lenders in Ohio operated a total of 906 stores. These companies obtained a total of 978 licenses to loan under the Small Loan Act and the Mortgage Loan Act, an additional 114 licenses under the Pawnbroker Act, and no licenses under the Short-Term Loan Act, which caps rates at 28% APR.
- In addition, 125 stores have obtained licenses under the Pawnbroker Act in Ohio, which allows them to charge interest and fees on a \$100.00 loan amounting to 112% APR for loans, which are typically for 30 days, rather than the 14-day term of most payday loans.

Dillman continued, "This report shows the need for further action on the part of the legislature to end high-cost lending in Ohio." The report recommends that the State of Ohio enact legislation to (1) increase the minimum term of loans under the Small Loan Act and Mortgage Loan Act to 90 days; (2) prohibit payday lenders from

issuing a loan in the form of a check and then charging a borrower an additional fee to cash that check; and (3) extend the protection of the Consumer Sales Practices Act to loans made under the SLA and MLA to provide greater protection to Ohio's consumers.

The Housing Research & Advocacy Center is a nonprofit fair housing organization founded in 1983 whose mission is to eliminate housing discrimination and assure choice in Northeast Ohio by providing those at risk with effective information, intervention and advocacy. The Housing Center is a charter member of Greater Cleveland Community Shares.

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