Ohio Council of Churches

Legislative Brief

MAY 9, 2018

DOES OHIO'S PAYDAY LENDING DRIVE FAMILIES INTO LONG-TERM DEBT?

Rep. Kirk Schuring (R-Canton), top deputy to House Speaker Cliff Rosenberger (R.-Clarksville), said that he is trying to work with payday lenders and reformers to reach a compromise on new regulations for the industry in Ohio, but acknowledged an agreement on fees and interest rates would be tough to get. A group urging action on payday lending reforms quickly panned his ideas, calling them "toothless and a sham."

For 405 days, the payday lending bill # HB123 sponsored by Rep. Kyle Koehler (R- Springfield) and Mike Ashford (D- Toledo), failed to get even a sponsor's hearing in the House Government Accountability and Oversight Committee. It's chair is Rep. Louis Blessing III, (R-Cincinnati). After this long delay, the Rev. Carl Ruby met with the Speaker of the House of Representatives Cliff Rosenberger, and convinced him to provide a slight shove to the Committee chairman Louis Blessing to pass the bill on to the House Floor to await a vote some day in May before the summer recess.

The original impetus for this legislation came from requests made by the PEW Charitable Trust that has played a role in passing similar legislation successfully in Colorado. They hope that Ohio will follow that legislation that has reduced the fees and interest rates in Colorado.

Tom Suddes in an article in the *Columbus Dispatch,* wrote "…that Ohio today has the nation's costliest, "with a typical annual percentage rate (APR) of 591% for a short-term loan. A first attempt to reduce the rates in 2008 passed the legislature, but was quickly made ineffective through a loophole that was discovered by the payday lenders, where they have operated every year since, setting their own APR.

"Wealth and riches are in their houses and their righteousness endures forever. They rise in the darkness as a light for the upright; they are gracious, merciful, and righteous. It is well with those who deal generously and lend, who conduct their affairs with justice. For the righteous will never be moved; they will be remembered forever; they have distributed freely, they have given to the poor; their righteousness endures forever."

(Psalm112:3-6,9 NRSV)

ACT NOW -URGE YOUR LEGISLATOR IN THE STATEHOUSE TO VOTE FOR A PAYDAY LENDING BILL THAT WILL REDUCE THE HIGH RATE OF INTEREST THAT LEADS TO DEBT AND BANKRUPTCY!

HOUSE BILL 123

IDENTIFICATIONSTATEMENT
Date: MAY 9, 2018 Monthly
Published By:
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Issue: #5-2018

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After one delay voting on the bill, the committee met on April 18th and voted 9 to 1 with only Rep. Bill Seitz (R-Cincinnati) voting no, because he had 3 or 4 amendments that he wanted to offer for a vote. I would imagine that those amendments will surface if and when the bill makes its way to the House of Representatives for a floor vote before it can then move to the Senate for consideration. Rep. Schuring had created changes that Rep. Koehler had agreed would be a significant improvement over the current system. However, the chairman was instructed by the Speaker to pass the bill as it is now.

I believe that this decision will ultimately make it much more difficult to pass the bill on the floor. One of the changes would require that loans not be less than 80 days and interest and fees would be capped at 50% of the loan. Pay day lenders could no longer operate under Ohio's Small Loan Act that they have used since 2008. Finally, the amount would limit payments to 15% of a borrowers' monthly income. Schuring said, "...that this answers those who need small loans can get them, but not find themselves in a captive situation where they can't get out of debt because of the loan."

Ted Saunders, CEO of Community Choice Financial, which includes more than 90 Checks' Smart Stores in Ohio, spoke on behalf of all the Ohio Consumer Lenders Assoc. in telling legislators that the new proposal was "unworkable. He said that he would accept some reforms, such as a minimum term of at least one month, paired with an interest-free extended payment plan." I think the dialogue regarding our industry started because a handful of bad actors in our industry began charging reprehensible rates and doesn't represent the marketplace in the state. Rep. Seitz said, "…the bill should have included allowing banks and credit unions to make similar types of loans to customers increasing competition in the industry."

In my mind the bill may pass the Ohio House of Representatives, but will still be several amendments short in supplying the necessary answers that provide fair lending rates and reasonable repayment time.

After passing the House of Representatives the bill will start-all over again in the Ohio Senate, and I guarantee it won't look the same as it passed the House if several new amendments are not added on the floor of the House.

But I believe that the Senate can come out with a bill that can dramatically improve the fairness and a reasonable borrowing rate that doesn't force the borrower into a life-time of debt.

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