

Ohio's Payday Lending Landscape: New law, same old loans by Policy Matters Ohio

Before 2008, Ohio had one of the least consumer friendly payday lending laws. The \$800 loan limit was 3rd highest in the country, a typical APR of 391%, and very little reporting or enforcement provisions. A campaign was launched in 2007 by the Ohio Coalition for Responsible Lending to place an interest rate cap and similar provisions to the Talent-Nelson military bill.

A bipartisan bill passed in 2008 in both the Ohio House and Senate, followed by a prompt signature from the Governor. The long fight was led by COHHIO, Coalition for Responsible Lending, Policy Matters Ohio, and dozens of community groups. Immediately after the Ohio Short Term Loan Act passed, with a 28% APR and loan cap, the payday lending industry began a process to repeal the new law through a ballot initiative. Despite spending millions of dollars, Ohio voters, more than 65%, shot down the proposal keeping the newly passed payday loan reform.

Despite the overwhelming support of the new payday law by Ohioans and policymakers, lenders are now using two arcane lending laws to operate and make loans at similar or larger rates. The table below displays the old law, new law (not used by lenders), and the two laws that lenders use to circumvent the new law.

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	<i>Old Law:</i> Ohio Check-Cashing Lender Act	<i>New Law:</i> Ohio Short Term Loan Act	Circumvented Law 1: Ohio Mortgage Lending Law	Circumvented Law 2: Ohio Small Loan Act
Maximum Loan Limit	\$800	\$500	No lender does more than \$600 in store	No lender does more than \$600 in store
Typical APR	391% for 14-day loan up to \$500.00; 367% for 14-day loan of \$800.00	28% regardless of amount	230% to 391% (includes credit check fee)	191% to 300% (<i>not</i> including fee to cash check)
Number of Loans Allowed	Unlimited	4	Unlimited	Unlimited
Term	14 days	30 day minimum	14 days	14 days
Additional fees	\$25 insufficient funds fee per check		Credit investigation fee (\$10); \$25 insufficient funds fee per check	Check-cashing fee, loan made by way of out-of-state check. (3% to 6%); \$25 insufficient funds fee per check

The following table shows the cost of a \$200 loan under the different loan scenarios in Ohio. No lenders are using the new law and there are several variations of the two laws that lenders are using.

\$200 loan	Old Law Ohio Check- Cashing Lender Act	New Law Ohio Short Term Loan Act	Circumvented Law 1: Ohio Mortgage Lending Law	Circumvented Law 2: Ohio Small Loan Act
Origination fee	\$20	\$2.15	\$15.00	\$15.00
Interest charges	\$10		\$2.06	\$2.31
Credit investigation fee	---	---	\$10	---
Check cashing fee	---	---	---	\$9 (based on 4% fee) ¹
APR (all fees)	391%	28%	353%	343%
Total cost	\$230	\$202.15	\$227.06	\$226.31

Newest trends:

- A “correction” bill was passed in the Ohio House of Representatives but the Republican controlled Senate has yet to hear it.
- Lenders will not accept any payments that are not made in full and in the form of cash. Checks will be charged to cash.
- Online lending, CSO, on the rise and being promoted by store fronts. It isn’t as profitable for stores to make certain loans such as a \$400 or \$600 loan in the store, so they are referring people to use online lending. See the table below.

Online Payday Lending for Ohio					
Store	Actual Lender	Loan	Total Loan Cost	APR	Increased cost compared to in-store loan ²
Advance America	CashNetUSA	\$200	\$252.40	683.07%	\$25.25
Cashland America	CashNetUSA	\$200	\$252.40	683.07%	\$24.40
Check ‘N Go	NCP Finance Ohio, LLC	\$200	\$251.91	676.55%	\$34.77
Additional Ohio companies offer on-line payday loans but fees were not disclosed until after the application and loans were processed (Ace Cash Express, Check Into Cash, and Rent-A-Center).					

¹ The check cashing fees varied per store from 3 to 6% or sometimes a flat fee.

² The difference in costs does not include potential in-store check cashing fees for Advance America and Check ‘N Go.

