

LEGISLATION SEEKS TO ELIMINATE SOME PAYDAY LENDING FEES

BY JESSICA ALAIMO • CENTRALOHIO.COM • MAY 1, 2010

COLUMBUS - A group of Ohio lawmakers wants to reduce the fees payday lenders can charge their borrowers.

Rep. Matt Lundy, D-Elyria, said payday lenders still manage to take advantage of customers despite 2008 legislation that capped interest rates at 28 percent.

Lundy introduced the Small Loan Consumer Protection Act this month with Rep. Gerald Stebelton, R-Lancaster. This is Lundy's second attempt to rein in the industry. A much larger bill remains stalled in the House Financial Institutions, Real Estate and Securities Committee.

This bill, narrower in scope, was assigned to the Consumer Affairs and Economic Protection Committee, where Lundy is the chairman and six members are co-sponsors. Lundy said he is confident there will be enough votes to get the bill through the House and to the Senate.

House Bill 486 would:

Prohibit payday lenders from charging a fee to cash their own checks.

Allow lenders to charge origination and credit check fees only once every 90 days.

Prohibit lenders from charging a fee to act as a credit service organization.

Ted Saunders, CEO of Dublin-based CheckSmart, a payday and short-term lender, said industry leaders were blindsided by Lundy's legislation and were not provided an opportunity for input. Industry leaders had been working with lawmakers on the bill pending in the financial institutions committee.

CheckSmart runs 220 stores in 10 states. Most Ohio locations are clustered around the major cities, but it also operates in Ontario, Mount Vernon, Heath, Zanesville and Lancaster.

Stebelton said industry leaders may have been caught off guard with this legislation, but they will have an opportunity to testify on the bill.

As a co-sponsor, Stebelton said feedback on the legislation has been evenly split, though all but one of those in opposition are connected to the payday loan industry.

The chairman of the financial institutions committee, Rep. Joseph Koziura, D-Lorain, said Lundy's new bill is more likely to pass the House than the version his panel has not yet considered.

The Coalition on Homelessness and Housing in Ohio is lobbying heavily for Lundy's bill. The concern is for people who are stuck in an endless cycle of taking out new loans to pay for existing ones, said Suzanne Gravette Acker, director of communications and development for the coalition.

"It's a product that's designed to trap by intent," she said. Acker said loans that drag consumers into an endless cycle are "faulty, toxic, and need to be taken off the market."

Saunders said the percentage of people who get into trouble with payday loans is small compared to those who benefit. "There's a certain level of responsibility (needed) when it comes to financial products," he said.

"Our industry has been branded as somehow tied to the larger financial issues in the country," Saunders said. "We didn't take any TARP money and we didn't trade any derivatives. We want to keep doing business in a productive and regulated fashion."