

Akron Beacon Journal - Editorial

Payday exploitation

Now the Ohio Senate must complete the work that voters approved

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The Ohio House made sure on Wednesday that Ohioans who rely on small, quick loans can get a fair shake when they turn to payday lenders. But the House approval of the Small Loan Consumer Protection Act won't be any help to consumers unless the Senate also approves the measure — before legislators break for the summer. It will be a poke in the public's eye if the Senate fails to act.

In 2008, voters stood squarely with the Statehouse in cracking down on interest rates that topped 390 percent on two-week loans and practices that lured consumers into a cycle of debt. At the heart of Ohio's tough new law, passed with bipartisan support, was a cap of 28 percent on interest on the short-term payday loans and a repayment period of 31 days.

Payday companies soon enough found ways to skirt the limits. They took out licenses to operate under the state's small-loans and mortgage laws, which were not designed for two-week loans. They went right back to doing business as usual, charging outrageously high fees and interest as if the 28 percent cap and other restrictions never happened.

You would have thought that outsmarted so blatantly, legislators would waste little time closing the loopholes to enforce the intent of the payday law. Unfortunately, the corrective measure languished while payday lenders fleeced consumers and complained how tough they have it in Ohio.

The House bill aims to end practices that clearly are contrary to the legislative intent of the payday law. Among the key provisions, it would bar lenders from requiring borrowers to pay membership fees in order to get a loan. Lenders would not be allowed to write a check for a loan and then charge a fee to cash that check. The bill would block lenders from charging an origination fee or a fee for a credit check more than once in 90 days for loans that are less than \$1,000. Neither would lenders be permitted to charge a fee to act as a credit broker for borrowers.

Payday lenders have proved resourceful, if anything, in taking advantage of cracks in current laws. The House bill is necessary to seal gaps in the small-loans law that leave consumers open to exploitation. The Senate would be remiss to delay the correction.