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Payday lenders' practices debated They call it service; others say sharking

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SOUTH CUMMINSVILLE - At a public hearing here Wednesday on payday lending in Ohio, one fact was undisputed: Some in Ohio need short-term financial help.

How often they get that help and from whom is where payday lending friends and foes differ, according to testimony given at the hearing at the headquarters of Working in Neighborhoods.

Critics liken payday lending to legalized loan sharking, and many at the hearing wore badges with a shark biting large wads of cash. Supporters sported yellow "I support payday lending" stickers; a group of about a dozen - many of whom were payday lender employees - approached during a break declined to comment.

In Ohio, payday lenders, who allow borrowers to use uncashed checks to secure short-term loans, can charge annual percentage rates of up to 391 percent and issue loans up to \$800.

Ohio Attorney General Marc Dann, the hearing's coordinator, said in an interview that from the standpoint of a consumer stuck in a cycle of debt, the payday lending model is broken.

"If ... you don't have enough money to make your bills, there's not a heckuva a lot to convince me - or you - that you're going to have that money two weeks later," Dann said.

A panel that included Dann, state Reps. Steve Driehaus (D-West Price Hill) and Tyrone Yates (D-Evanston) and Cincinnati City Councilman Jeff Berding heard from social service groups that help payday loan borrowers, along with those who work in the industry and experts on both sides of the issue. Their questions kept returning to the alternatives to payday lending, such as a short-term loan program successfully implemented by Wright-Patt Credit Union.

Douglas Fecher of the Wright-Patt Credit Union said the "StretchPay" loans, which are now offered by other credit unions, charge a \$35 fee for unlimited yearly access to a \$250 loan with an 18 percent annual percentage rate. Members typically take about nine such loans a year, often to repay payday loans, Fecher said.

Donald Gayhardt, the president of Dollar Financial Corp., which operates Money Mart payday lenders in Ohio and elsewhere, spoke at length about a proposed 36 percent rate cap that he said would bankrupt the industry, and the detrimental effects of banning payday lenders in North Carolina and Georgia.

Gayhardt said customers average seven loans a year for emergency purposes, while Driehaus contended that was more habitual than urgent.

Another hearing will occur next month in Columbus. Three payday-lending reform bills are pending in the Ohio Legislature, including one proposed by Yates that would cap interest rates for short-term loans at an annualized rate of 25 percent and prevent lenders from using uncashed checks as collateral.