



Report: Payday lenders seek to trap poor

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LIMA — Too many people are getting trapped in a cycle of debt. At least that's what a new report concludes about the impact of payday lending.

Using Securities and Exchange Commission filings and industry data from other states, the Ohio Coalition for Responsible Lending report said payday lending companies attempt to trap occasional borrowers into a repeat borrowing cycle.

“The average customer makes 12.6 loans per year. That means approximately half the year they are in debt to a payday lender,” said Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio and a member of the Ohio Coalition for Responsible Lending. “They take out on average a \$328 loan and then they basically go back and borrow that money over and over again and pay back the \$328 an average of just about 13 times plus the fees. By the time they get to the 13th loan they have paid \$637 in fees to borrow that same \$328 over and over again. That I think illustrates the debt death trap. The vast majority of payday loans are taken out to pay off other payday loans.”

High interest and fees and short repayment terms “snare borrowers in costly back-to-back loan transactions,” he said. In some cases, the fees and interest can add up to as much as a 391 percent annual percentage rate, he said.

The group has concluded there are more than 2,460 in Allen County who have become “trapped” by the cycle. There were two payday loan storefronts in 1996 in the county, the report said. As of last year, there were 12 that combined charged more than \$2.46 million in fees to county consumers.

“In brief, payday loans really strip Ohioans of wealth. They don't advance Ohio, they don't advance America,” said Tom Allio, director of the Diocesan Social Action Office in Cleveland and chairman of the coalition. “They push and pull Ohioans into a deeper cycle of poverty. They suck them into a deep, dark hole of debt where borrowers end up owing their

soul to the neighborhood payday lending store.”

As a remedy, the coalition is backing a new legislative initiative. House Bill 333 seeks to cap interest rates at a 36 percent annual percentage rate.

In Ohio, there is only one county — Vinton — where no payday lenders have set up shop.

The industry used to be primarily associated with major urban centers. That isn't the case anymore.

“Earlier reports show that the counties that have the largest per capita number of payday lending storefronts are in rural parts of the state. That was surprising to us,” Faith said. “I think when payday lending started out in 1996 you see that it was largely in the urban centers of our state. That certainly has changed.”

The change is indicative of the payday lenders seeking to “trap” more people in the cycle, he said.

“They are finding more and more people they can rope into their debt trap in more and more places,” Faith said.

Allio agreed.

“The fact that this cuts across rural, suburban, urban means that every member of the Ohio General Assembly has a stake in this debate,” Allio said.