



## Ohio Coalition for Responsible Lending targets payday lenders' fees

**Group wants state to limit interest payday lenders can charge**

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**Michael Sangiacomo**  
**Plain Dealer Reporter**

Nearly 32,800 Cuyahoga County residents borrowed money last year from a payday lender and collectively paid \$32 million in fees, according to county-by-county estimates to be released today.

The Ohio Coalition for Responsible Lending used available numbers for the biggest payday lenders and a series of calculations to come up with a picture of who is borrowing from payday lenders and how much.

The Columbus-based coalition of 160 religious leaders and community groups wants Ohio legislators to limit interest to 36 percent for loans of \$800 or less.

Supporters say such a law would encourage credit unions, banks and legitimate lending institutions to work with people in need.

Payday lenders now can charge up to 391 percent annually and oppose the proposed limits.

An industry-backed plan that would allow borrowers a once-a-year opportunity for more-lenient loan terms also is making the rounds at the Statehouse.

Darryl Dever, lobbyist for the Ohio Financial Service Center Association, said the report estimates for Ohio are fiction.

"I don't know how they came up with those figures," Dever said. "There is no central clearinghouse that would tell how many loans were made. It's not a study, it's their opinion."

Because Ohio data on payday lenders aren't available, the coalition had to be creative to come up with estimates. It began with nationwide loan information submitted by four of the state's biggest payday lenders to the Securities and Exchange Commission.

The coalition then divided the totals by the number of storefronts for the businesses to come up with an average number of loans per store. Then the group turned to states that regulate payday loan firms and collect specific information about each store. The coalition used that data to determine which kinds of stores - urban, suburban and rural - make the most loans. The group used the experience of the stores in other states to make educated guesses about the stores in Ohio.

Finally, the group turned to a major investment bank that tracks payday loan companies to make sure the Ohio numbers were appropriate.

The coalition determined that statewide, about 300,000 Ohioans pay more than \$318 million in fees and fines annually to payday lenders, the coalition has said.

Payday loan businesses, once found almost exclusively in cities, have spread to Ohio's rural communities.

In 1996, the Ohio legislature allowed these businesses to operate outside the laws that credit unions and other financial institutions must follow. Their numbers have risen from 106 stores in 1996 to 1,603 in 2006, the coalition has said.

Tom Allio, of the Cleveland Diocesan Social Action Organization, said, "This industry's whole model is to trap people in a deep cycle of debt, which in many cases they are unable to escape. . . . This is legalized loan-sharking."

Jason Northcraft turned to payday loans after he lost \$1,000 in an Internet loan scam. The loss shattered his already fragile finances. Bills mounted. The Chardon man needed money, fast.

Six months after taking out the loan, he owed nearly as much as he lost in the Internet scam. Northcraft took a \$500 short-term loan that carried a \$75 borrowing fee over two weeks. He continually replaced one \$500 loan with another.

On Sept. 20, he finally left the loan company, located on Ohio 44, without new debt. But that was after paying about \$900 in interest.

Dever said customers who take out payday loans know what they are getting into. Most of them manage to pay the loans off on time.

"To call us loan sharks is ridiculous," Dever said.

"Everyone who comes to us knows exactly what they are getting into. It's very clear how much they are borrowing and how much they have to pay back and when."

Daisy Maldonado, manager of operations for El Centro de Servicios Sociales, a Hispanic social-service organization in Lorain, said some people are so confused by banks that it's simpler to cash a check at a payday loan agency and accept that money is taken off the top.

"Banks need to be open and helpful," she said.

"They can be confusing and intimidating."

Plain Dealer reporter John Horton contributed to this story.

To reach this Plain Dealer reporter:

msangiacomo@plaind.com, 216-999-4890

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