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OHIO ORGANIZATIONS CALL FOR CLOSING PAYDAY LENDING LOOPHOLES
Public Comment Period On Proposed Rules Ending Soon

Nearly 100 organizations representing low-income housing providers, food pantries, seniors, mental health and addiction services agencies and churches urged the federal Consumer Financial Protection Bureau today to issue tough rules on predatory payday lending.

As the federal government prepares to regulate payday, car title and other consumer loan products, 93 Ohio-based organizations called on CFPB Director Richard Cordray to shore up several weaknesses in the proposed rules.

“Many of the people who signed this letter are working to fight poverty in their communities every day. These organizations see first hand the destruction that payday lending inflicts on low-income Ohioans who are already struggling to make ends meet,” said Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio.

CFPB research shows that 73% of payday loans were taken out the same day that a previous loan was repaid and more than 75% of total fee revenue comes from borrowers who take out more than 10 loans a year. This shows how lenders profit by trapping borrowers in a cycle of debt that can drag on for years as they struggle to pay for housing, food, health care and other essentials.

“We’ve seen many people coming to Ohio’s foodbanks after their bank accounts get drained repeatedly by payday lenders, who charge outrageous fees that their customers simply can’t afford,” said Lisa Hamler-Fugitt, executive director of the Ohio Association of Foodbanks. “The CFPB rules have the potential to make these loans more affordable so people won’t have to choose between buying food, paying the rent, or going to the doctor.”

A recent report by the Center for Responsible Lending found that payday lenders drained nearly \$503 million from desperate Ohioans in 2015 – more than twice the \$239 million in fees they collected back in 2008 when nearly two-thirds of Ohio voters approved a state law regulating payday loans. The industry found various ways to skirt that law and continue issuing usurious loans that keep their borrowers trapped in debt.

“We know from Ohio’s experience trying to regulate payday loans that lenders will do anything they can to continue extracting profit from desperate borrowers,” said Tom Smith, director of public policy for the Ohio Council of Churches. “Churches all around Ohio want the CFPB put a stop to this usury to prevent any more unnecessary suffering.”

A report recently issued by Advocates for Ohio’s Future and the Coalition on Human Needs showed how predatory payday and vehicle title lenders target low-income Americans and communities of color, with nearly half of borrower households earning less than \$30,000 annually.

While the draft rules are a good start, advocates have voiced concern about several weaknesses that could allow borrowers to skirt the requirement for lenders to assess a borrower’s ability to repay and inadequate limits on refinancing, or loan flipping.

The draft rules are open for public comment through Oct. 7, after which the CFPB will consider feedback. The agency is expected to issue final payday lending regulations in 2017.

Additional Information:

- Ohio Consumer Advocates’ letter to the CFPB:
<http://cohhio.org/files/CFPB%20Signon%20letter.pdf>
- COHHIO comment on the CFPB rules:
<https://www.regulations.gov/document?D=CFPB-2016-0025-39930>
- June press release on payday lending rules:
<http://cohhio.org/files/CFPB%20Release%206.6.16.pdf>
- Advocates for Ohio’s Future report: “The High Cost of Being Poor in Ohio”
<http://advocatesforohio.org/perch/resources/The-High-Cost-of-Being-Poor-in-Ohio-CHN-AOF.pdf>
- CRL Report on Ohio Payday Loan Fees:
<http://www.responsiblelending.org/research-publication/buckeye-burden-analysis-payday-and-car-title-lending-ohio>