

# More payday-lending safeguards needed

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BY E.J. THOMAS



I am an ardent opponent of payday lending, having testified at several hearings on this matter before the Ohio Legislature. As the chairman of Habitat for Humanity Ohio, I see every day how families throughout Ohio struggle to live within their means, often paycheck to paycheck, while trying to pay rent or their mortgage, put food on the table and take care of their children.

At Habitat, we see the true cost of the industry's "quick and easy" cash with its punishing high interest rates and short repayment terms. For some of our Habitat homeowners, the lure of fast money during occasional financial challenges can be tempting. Habitat partner families who contemplate the payday-lending option risk the difference between living the American Dream of homeownership or living the nightmare of a never-ending cycle of debt and the very real possibility of losing the home they worked so hard for.

I write today in support of House Bill 209, legislation currently being considered by the Ohio House of Representatives. This bill would close a loophole that greedy payday lenders are trying to use to sidestep House Bill 545, a law that was passed last year to cap short-term loans at 28 percent APR. House Bill 209 is necessary because it will stop the industry's pursuit of devising new fees and charging up to 700 percent APR on small loans.

I am a former state representative who supports the tenets of a free-market economy. I grew up in small business, am pro-business, voted that way in the Ohio House and applaud the efforts of all hard-working employers, while supporting the employees who make business enterprises successful.

However, a business model that takes blatant advantage of those most in need by charging stratospheric fees for the use of short-term borrowed money is simply wrong and has been spurned by people of conscience for the many centuries man has been making loans to his fellow man.

Every business has the responsibility to ensure a successful outcome for the customer, the business owner and the employee. A car manufacturer has the moral responsibility to ensure that its vehicles run reliably and are as safe as possible in the event of an accident. Airlines are expected to provide the proper maintenance on the ground, so that when flying at 39,000 feet, safety is ensured as much as humanly possible.

And when manufacturers or service providers willfully disregard the safety of what they sell, or if those products and services don't perform adequately, there are remedies by way of the courts, statehouses, and the U.S. Congress to address the grievances and damages that occur as a result.

Without laws like House Bill 545 and the pending House Bill 209 to protect users of services, there will always be a small percentage of individuals who find ways to unscrupulously gain financially from other people's misfortune. This is the sad saga of payday lending in Ohio that continues and, thus, requires additional regulation.

The industry's business model works like this: They target folks who are insolvent today, ones who

will most likely still be insolvent 14 days from now, and because of the high interest and short repayment period, will require yet another payday loan to pay off the last. It is a vicious cycle of debt.

House Bill 209 will enact four important safeguards:

- Ban the sham of internal check-cashing fees where lenders charge borrowers to cash the check just written by the lender to the borrower in order for the borrower to walk out the door with cash in hand.
- Limit other fees, such as origination fees, credit-check fees and credit-service fees -- on top of an interest rate of 28 percent APR -- for all loans made for less than 90 days.
- Prohibit brokering of loans and other Internet scams.
- Broaden the enforcement of the state's attorney general through extension of protections provided by the Consumer Sales Practices Act.

Short-term lending to those in need should not give life to unbridled avarice, especially when good, hardworking folks get hurt in the process. House Bill 209 establishes the right mix of restrictions to control that greed. Additionally, this effort reminds us all that the will of Ohioans who take the time to vote, as they did overwhelmingly in favor of Issue 5 last November, will not be thwarted. As such, I urge its speedy adoption.

E.J. Thomas is chairman of Habitat for Humanity Ohio.

(credit: The Columbus Dispatch)