



LWVO Spotlight On... Issue 5

Dear Ashley,

Today's email is a service from LWVO and features a key issue the League is currently addressing. Sometimes the topic will be plucked from one of the five imPACT reform issues: accountability, redistricting, elections, judicial, and campaign finance. At other times, we will spotlight another concern.

If you're a true policy wonk, you can subscribe to our monthly Legislative Updates consisting of legislation that is currently tracked by our Lobby Corps and moving through the General Assembly. Another choice available to you, especially if you are interested in education, is the Education Update written by our education lobbyist, Joan Platz. For more information on education issues, sign up for Joan's weekly USEP-OHIO Education Update email by sending an email to usepohio@usepohio.com and type "subscribe education update" in the subject line.

As of September 15, 2008, this issue had not been certified to be on the Nov. 4, 2008 ballot.

ISSUE 5: REFERENDUM ON LEGISLATION MAKING CHANGES TO PAYDAY LENDING PRACTICES (A referendum on Section 3, House Bill 545)

A YES vote will cap the annual interest rate on payday loans at 28% and allow only the new regulations to apply to payday lenders.

A NO vote may allow payday lenders to charge up to 391% annual interest on a loan. Specifically, a NO vote may create a situation in which both the old and new laws coexist-thereby allowing payday lenders to choose to operate under either law.

A majority YES vote will allow only the new regulations affecting payday lenders to be in effect.

If approved, changes regulating payday lenders would go into effect immediately.

League Explanation of Issue 5:

Voters are being asked if they want to uphold the legislature's repeal of lenders' authority to charge interest that could be as high as 391%. If the referendum is approved (the "yes" votes prevail), all short term lenders, including payday lenders, would be subject to the following limitations:

- Cap the interest that payday lenders can charge consumers at 28%.
- Limit the amount consumers may borrow from payday lenders to 25% of their monthly income, up to \$500 per loan.
- Limit consumers to four short-term loans per year.
- Provide for a minimum of at least 30 days for a borrower to repay a loan.

Proponents of the referendum argue that:

1. The new regulations would cap the interest for payday loans at 28%, which effectively ends lenders' ability to charge up to 391% interest.
2. Limiting the number of loans customers can take out annually would help break the cycle of debt in which many customers find themselves trapped. Data show that 99% of payday loans go to repeat borrowers-who typically take out 12 or more loans a year.
3. Passage of Issue 5 would give borrowers more time to repay a loan-and by limiting the amount a consumer can borrow, would help insure that customers do not borrow more than they can afford to repay.

Opponents of the referendum argue that:

1. The 28% ceiling on interest rates will not allow lenders to make enough profit to stay in business; lenders will be forced to close locations convenient for borrowers and jobs will be lost.
2. The loans provide emergency assistance to cash-strapped borrowers who have no other credit options-and the loans are more affordable, if repaid promptly, than bank overdraft fees and credit card late fees.
3. A borrower's choice is limited if the number of loans available in a year and the amount of each loan are curtailed. Each borrower should have the right to make their own financial decisions without government restrictions.

The board's decision to remain neutral on Issue 5, the referendum on payday lending legislation, was also unanimous-and unavoidable. Although the board was sympathetic to the legislature's effort to reform payday-lending practices in order to reduce the number of people trapped in cycles of debt, the League has no state or national position under which to take action.

Websites:

In support of placing new restrictions on payday lenders:

PROTECT HB 545 Committee <http://www.yesonissue5.com/>

In opposition to placing new restrictions on payday lenders:

The Committee to Reject H.B. 545 www.ohioans4financialfreedom.com

