



# The State of Payday Lending in Ohio

**Linda Cook, Senior Staff Attorney**  
Ohio Poverty Law Center  
555 Buttlers Avenue  
Columbus Ohio 43215  
[lcook@ohiopovertylaw.org](mailto:lcook@ohiopovertylaw.org)  
614-824-2503



**Using the Law To Fight Poverty in Ohio**

©2011 Ohio Poverty Law Center



# Quick Historical Overview

- Ohio gives in to industry pressure and enables payday lending in 1995
- Payday lending explodes; broad statewide coalition of consumer advocates (OCRL) wages a two-year campaign for reform
- OCRL gets Batchelder to introduce bill; after multiple hearings and multiple bills, Widener introduces HB 545, which becomes the Short Term Loan Act
- Payday industry loses at the ballot; regroups and keeps making payday loans

# Why Do We Still have Payday Lending in Ohio?

- Lenders got licensed under statutes that predated specific payday statute: The Small Loan Act and the Ohio Mortgage Loan Act
- Department of Commerce interprets those statutes to allow single-pay short term loans
- Ohio Attorney General declines enforcement action



# Legal Challenges to Payday Business Model

- Legal aid develops legal theories to challenge payday cases in courts
- Private attorneys file class actions against payday lenders
- Elyria municipal court magistrate issues a decision in a case – Cashland v. Scott that eventually ends up in the Ohio Supreme Court



# Cashland v. Scott – what does the decision mean?

- Scott borrowed \$500 from Cashland, pay back in two weeks: \$545.16. APR = 235.48%
- Scott defaults on loan and Cashland sues. Scott fails to appear, so Cashland gets a default judgment, but magistrate disallows contract interest rate of 25%. Cashland appeals.
- Statutory construction arguments of trial court and appeals court conclude single-pay loans not permitted by the Mortgage Loan Act

- Ohio Supreme Court interprets Ohio Mortgage Loan Act to allow single pay loans AND finds Short Term Loan Act not the exclusive statute regulating payday loans
- The legislature did not accomplish what it set out to do

- Consequence for Mr. Scott: a remand to the trial court means judgment will be modified to award post-judgment contract interest rate of 25%
- Consequences for Ohio citizens: payday is alive and well

# Variations of Payday

- Storefront vs. internet
  - Internet lenders use loan brokers licensed as Credit Services Organizations to increase costs
- Title loans as an outgrowth of payday
  - Car titles as security instead of post-dated checks or ACH/automatic debit authorization
- Personal installments loans: “Our loans are better than payday”



# What Can We Do?

- Pressure the Consumer Financial Protection Bureau to publish proposed regulations
- Support the CFPB proposed regs and comment
- Educate Ohio legislators about the need for state action
- We need both state and federal action to regulate the small loan marketplace