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October 7, 2016

The Honorable Richard Cordray, Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Policy Matters Ohio comments on proposed rulemaking on payday, vehicle title, and certain high-cost installment loans. Docket number CFPB-2016-0025 or RIN 3170-AA40

Dear Director Cordray,

Thank you for the opportunity for Policy Matters Ohio to submit public comment in response to the CFPB's proposed rule on payday, vehicle title, and certain high cost installment loans. Ohio consumers need strong regulation to protect them from unscrupulous loans. The proposed rule is an important action, but it must be strengthened to keep Ohioans from spiraling into a perpetual trap of debt.

Policy Matters Ohio, a nonprofit policy research institute, creates a more vibrant, equitable, sustainable and inclusive Ohio through research, strategic communications, coalition building and policy advocacy. We have been actively engaged in researching and advocating for payday lending reform in Ohio for nearly 10 years. Our analysis of payday lending has proven that the loans threaten the financial stability of Ohio families.

Ohio has an unfortunate history with payday lending. Payday lending was authorized in Ohio by the Check Cashing Loan Act in 1996, which allowed licensed check cashing stores to offer short-term loans with triple-digit interest rates. In eleven years, the industry ballooned from 107 stores to 1,638.[1] In 2008, the Ohio General Assembly and Ohio voters, through legislation and a statewide ballot initiative, overwhelmingly decided to limit payday lending by creating the Ohio Short-Term Loan Act. Those limitations included 1) capping interest at 28 %, 2) imposing a minimum 31-day loan term, 3) allowing a maximum of four loans per year, and 4) limiting loans to $500.[2] The law was considered to be one of the strongest in the nation.

Unfortunately, lenders have evaded the law and have engaged in schemes to charge higher interest rates and fees than ever. A year after the law took effect, our research on 69 payday lending establishments throughout Ohio found that: 1) all were making loans due in 14 days or less, 2) most were charging fees

[1] Policy Matters Ohio, "The Continued Growth of Payday Lending in Ohio", 2008, http://www.policymattersohio.org/wp-content/uploads/2011/09/ContinuedGrowthOfPaydayLendingInOhio2008_0319.pdf

[2] Ohio Legislative Service Commission, "Payday Lending in Ohio", 2013, http://www.lsc.ohio.gov/membersonly/130paydaylending.pdf

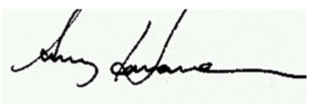
to cash their own checks, increasing the interest rate to over 600% APR, 3) most were making loans exceeding $500, and 4) nearly all would use unemployment, Social Security, or disability payments as collateral.[3] Despite the best efforts of legislators, consumer advocates and Ohio voters, payday lending had grown and become more profitable to the detriment of vulnerable families.

Payday lending has continued to expand and become more exploitative. In 2012, auto title lending stores began to open, despite the lack of any laws that authorize them to do business in the state. These loans put the family car at risk of repossession when unaffordable loans go into default. Payday lenders also began misusing the Credit Services Organization statute, a consumer friendly provision, to package high interest rate loans to vulnerable borrowers. Not only do Ohio payday lenders continue to charge some of the highest interest rates in the country, typically at 677%[4] , but each year over $500 million in payday lending fees is drained from family budgets and the Ohio economy.[5]

Ohioans need a strong CFPB rule, without loopholes, to ensure that the market for short-term loans is safe and affordable. The CFPB must enact a strong rule that ensures payday and car title lenders cannot continue their "business as usual" debt trap lending.

Thank you for this opportunity to comment. For further clarification on these comments, please contact Kalitha Williams at 614-221-4505 or kwilliams@policymattersohio.org

Sincerely,



Amy Hanauer
Executive Director

[3] Policy Matters Ohio, "New Law, Same Old Loans", 2009, http://www.policymattersohio.org/wp-content/uploads/2011/09/NewLawSameOldLoans2009.pdf
[4] Center for Responsible Lending, Map of U.S. Payday Loan Interest Rates, 2016, http://www.responsiblelending.org/research-publication/map-us-payday-interest-rates
[5] Center for Responsible Lending, "The Buckeye Burden", 2015, http://www.responsiblelending.org/payday-lending/research-analysis/crl_ohio_analysis_nov2015.pdf