



## Catholic Conference of Ohio Statement Payday Lending Practices in Ohio

The Catholic Conference of Ohio joins with other faith communities in calling for an immediate reform of Ohio's payday lending practices. We find inter-faith unity in promoting fair and helpful programs for persons in need. It has come to our attention that the growing number of payday cash-advance programs in our state may be doing more harm than good for persons in need of short-term cash loans.

We have heard from many persons who feel trapped in a cycle of payday loan debts. The upfront fees charged to take out two-week loans are typically \$15.00 per \$100.00. Studies indicate that the typical Ohio borrower takes out between eight to twelve of these loans per year. Our concern is that the cumulative effect of these multi loans has resulted in insurmountable debt for too many people. When fees are compared to an annualized interest rate, they can amount to a very troubling 391%. We believe that the business model using post-dated checks and high cumulative fees, interest rates and penalties is in need of immediate reform.

In the teachings of our faith we have many warnings about usury and exploitation of people. Lending practices that, intentionally or unintentionally, take unfair advantage of one's desperate circumstances are unjust. Catholic Social Teaching demands respect for the dignity of persons, preferential concern for the poor and vulnerable, and the pursuit of the common good. These principles coupled with our teaching on economic justice animate our questioning of current payday lending practices.

We call upon our elected officials to closely examine Ohio's payday lending model and enact protections for borrowers from unjust practices. We believe there is wisdom and fairness in having short-term small loans that charge reasonable interest rates and allow for a borrower to make installment payments. Proposals that seek to place a reasonable rate cap appear to us to be a cornerstone of effective reform.

### Background

There are several legislative bills pending in the Ohio General Assembly that address varying aspects of payday lending reform. Information on these bills can be found on the Catholic Conference of Ohio's website: [www.ohiocathconf.org](http://www.ohiocathconf.org).

On June 27, 2007 the Ohio Catholic Bishops went on record as supporting Initiatives that protect the working poor and all Ohio consumers from the spiraling indebtedness caused by payday lending, and directed the Catholic Conference of Ohio's Department on Social Concerns to study and recommend ways our church communities can help in the promotion of alternative lending programs, such as credit unions and small loans, as well as the creation and promotion of financial awareness education programs.

### Action Request

Please communicate to your state elected officials your support for meaningful reform of payday lending practices. Such reform should include a reasonable rate cap, installment payments, consumer protections, support for alternative lending programs, and financial awareness education programs.