



MEDIA ADVISORY
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CONTACT: Jenny Camper 614 224-0658
or Suzanne Gravette Acker 614-280-1984

POLICY MATTERS REPORT: CREDIT COUNSELORS WOULD NEVER RECOMMEND PAYDAY LOANS TO CLIENTS

CLEVELAND, OH – Accredited Ohio credit counselors are decisively against the use of payday loans, according to a new report issued by Policy Matters Ohio. The report, “Wise Counsel: Credit Counselors Cite Perils of Payday Lending,” examines how payday loans fit into a family budget and financial situation.

The report was issued during a news conference at Cleveland City Hall with local officials who are encouraging Ohioans to vote YES on state issue 5. A **majority YES** vote on Issue 5 would affirm a law passed by the legislature and signed by Governor Strickland in June that reduces interest rates from 391 to 28 percent annual interest. A **majority NO** vote on Issue 5 would allow payday lenders to continue charging a 391 percent annual interest rate.

“Payday lenders trap 300,000 Ohioans each year who find they must borrow again and again to pay off previous loans,” said Tom Allio, director of social action for the Cleveland Diocese. “The average borrower takes out 12-13 loans per year and ends up getting trapped in a cycle of debt. The Policy Matters report offers an important perspective from experts who counsel these borrowers and help families to get a financial foothold.”

Today’s news conference also featured local elected officials who support Issue 5 and the YES vote. Cleveland Mayor Frank Jackson, Cleveland City Councilman Joe Cimperman and Parma Heights Mayor Martin Zanotti also appeared at the news conference to voice their support. Mayor Zanotti represented the Cuyahoga County Mayors & City Managers Association, which is supporting the YES vote on Issue 5. A number of mayors and managers from that association also attended the event.

“Credit counselors confirm the dangers of the traditional payday loan product,” said David Rothstein, report author. “There is no question that the high interest rates and short pay-back period of this product keep families in a cycle of debt.”

The report details credit counselors’ concern with the extremely high annual interest rates charged by the payday lending industry, as well as the frequency with which many

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customers use the loans. The counselors also revealed how payday loans impact other household expenses in low- to moderate-income families.

Policy Matters Ohio is a non-profit policy research organization founded in January 2000 to broaden the debate about economic policy in Ohio.

Background on Issue 5:

Issue 5 is a referendum backed by the payday-lending industry. It seeks to overturn the rate cap portion of House Bill 545, the payday lending reform law signed by Governor Strickland in June. Among other reforms, House Bill 545 reduces interest rates payday lenders can charge from 391 percent annual interest to 28 percent.

A **majority NO** vote on Issue 5 would allow payday lenders to continue charging a 391 percent annual interest rate. The fee for a \$300, two-week loan would be \$45.

A **majority YES** vote on Issue 5 would reduce interest rate charges to 28 percent. The fee for a \$300, two-week loan would be \$18.

Consumer protection advocates say the high-interest and short repayment business model traps borrowers in a debt cycle, requiring them to take out new loans to pay off old ones. They support a YES vote on Issue 5.

'NO' VOTE: 391 percent annualized interest on payday loans

'YES' VOTE: 28 percent annualized interest on payday loans

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Vote YES on Issue 5.

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IS 391% TOO HIGH? VOTE YES ON 5 COMMITTEE

Bill Faith, Treasurer

175 S. Third St., Suite 250, Columbus, Ohio 43215

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