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Telephone Conference with Researchers
TODAY at 11:00 a.m.
Dial-in number: 1-866-439-4480, code number: 289630#

1,230 Carroll County Borrowers Trapped in Payday Lending Debt Cycle

COLUMBUS – In a new report that uses data from multiple sources, the Ohio Coalition for Responsible Lending (OCRL) calculates that 1,230 Carroll County payday borrowers were trapped in a cycle of debt last year, having paid $1,230,848 in loan fees to payday lenders. The figures are found in "Trapped by Design, County after County," OCRL's latest report on the damaging impact of the payday lending debt cycle.

"These are Carroll County friends, neighbors, young parents and elderly relatives who have been lured into a debt trap and will spend many times what they borrowed to escape this trap," said Bill Faith, executive director of COHHIO, an OCRL member organization. "It's time to amend the 12-year-old law that legalized loan-sharking in our state and break the lending trap."

A report released last month by the OCRL, "Trapped by Design," used SEC filings from four of the state's biggest payday lenders as well as industry data from other states to confirm that the payday lending business model is dependent upon trapping the occasional customer into a repeat borrowing cycle. High interest and fees (391% APR) and short repayment terms combine to snare borrowers in costly back-to-back loan transactions. Statewide, the average borrower takes out 12.6 loans per year. The average loan amount is $328. By the 13th loan, the customer has paid $637 in fees to borrow the same $328 over and over again.

The OCRL supports H.B. 333, legislation proposed by Reps. Batchelder (R-Medina) and Bob Hagan (D-Youngstown). H.B. 333 caps interest rates at 36% APR for payday lending and all small loans, thereby "leveling the playing field and spurring new growth in the legitimate small loan marketplace," said Faith.

Numbers specific to Carroll County are in the attached report, as is a table containing data from the remaining 87 Ohio counties.

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Trapped by Design in Carroll County

A County-by-County Payday Lending Impact Report
By The Ohio Coalition for Responsible Lending

Ohio has one of the highest concentrations of payday lenders in the country. An analysis of recent annual financial reports from four of Ohio's leading payday lenders confirms that over 300,000 Ohioans are trapped in a long-term payday lending debt cycle. Further culling of data from the Security and Exchange Commission (SEC) filings and a tabulation of 2006 storefronts from Policy Matters Ohio reveal a thumbnail view of the local impact of payday lending in Franklin County. **In 1996 Carroll County had 1 storefronts; by 2006 there were 6 storefronts charging $1,230,848 in fees, leaving 1,230 borrowers trapped in debt.**

While the payday lending industry marketing message is "payday advances should be used for short-term financial needs only, not as a long-term financial solution," the industry's own numbers used to compile this report tell a far different story. The industry's goal, in fact its very survival, requires that it pull the occasional customer into a cycle of repeated loans over the long-term. Aggressive marketing strategies, such as those used by the lender Always Payday, incentivize repeat borrowing by providing customers with a *Frequent Pay Advance Card* offering the 9th loan free, if you take out 8 loans, each time paying the high rates and fees.

Repeat borrowers drive the payday loan business model and finance the alarming expansion of payday storefronts in Carroll County and across the state.

According to the Center for Responsible Lending, over 62% of all payday borrowers nationally are caught in the debt trap. In Ohio these borrowers pay more than $318 million in fees that could be spent on essential family expenses such as food, clothing, rent and utilities. Contrary to industry talking points, repeat borrowing is not incidental to the business; it is the key to the payday lending industry's viability.

Ohio's 1995 policy decision to allow payday lenders to operate outside of the usury law was an error. Ohio's lawmakers should move immediately to correct this mistake, capping interest rates for all consumer loans, including payday loans, at 36% annually. The states that have stopped payday loan flipping are those that have enforced a similar two-digit usury cap. Congress has now legislated a 36% rate cap on payday loans to active military personnel and their families. Moreover, the regulator of Ohio's state-chartered banks, the FDIC, actively encourages their members to offer installment loans at 36% APR or less as an alternative to payday lending.

The OCRL believes that Ohio must take a simple, consistent, and comprehensive approach to address the problems in payday lending, including a 36% APR Rate Cap on payday loans; the ban of the questionable practice of using post-dated checks for security; and encouragement of small loan alternatives.

For a complete copy of the statewide Trapped by Design Report, visit the Coalition's website at ***www.ohiodebttrap.org****.*

Notable Quotes:

> ***"And the theory in the business is you've got to get that customer in, work to turn him into a repetitive customer, long-term customer, because that's really where the profitability is."***
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> ***Dan Feehan****, CEO of Cash America, remarks made at the Jefferies Financial Services Conference (6.20.07)*

"The secret to the success of the payday loan is its deceptive design. Specifically, we made the process very simple and easy at the front end to get people into the loan. But at the back end, we made it very difficult for customers to get out of the loan. It became a situation where our borrowers were like indentured servants, but with indefinite terms of servitude."
-- ***Cameron Blakely****, former Check 'n Go Store Manager at a Washington D.C. press conference on Payday Lending. September 12, 2007*

"We train our sales staff to keep customers dependent, to make sure they keep re-borrowing, whether in the form of a renewal, or a back-to-back transaction, forever, if possible. We virtually guarantee customer retention by encouraging customers to borrow up to 85% of their gross income – that is, more money then they actually receive in their take-home pay. In Virginia, our policy is to loan 100% of gross income."
-- ***Micheal Donovan****, former district director of operations for Check 'n Go, at a Washington D.C. press conference on Payday Lending. September 12, 2007*

"We were trained to access customer's bank accounts to see if there was money in them to pay us by using their account numbers and Social Security numbers, dialing into the automated line and essentially usurping their identities. We could track their purchases, see where they shopped. We would use this information to collect on our debts, making customers think that we knew where they were all the time and that they couldn't escape us. I believe that payday lending is a corrupt and corrupting business."
-- ***William Harrod****, former Check 'n Go Store Manager at a Washington D.C. press conference on Payday Lending. September 12, 2007*

Payday Fees & Trapped Borrowers 2006

County	Payday Storefronts 1996	Payday Storefronts 2006	Loan Fees Charged	Number of Trapped Borrowers
Adams	0	2	$410,283	410
Allen	2	12	$2,461,695	2,460
Ashland	0	9	$1,846,271	1,845
Ashtabula	0	11	$2,256,554	2,255
Athens	0	6	$1,230,848	1,230
Auglaize	0	6	$1,230,848	1,230
Belmont	0	22	$4,513,108	4,510
Brown	0	3	$615,424	615
Butler	4	39	$8,000,510	7,995
Carroll	1	6	$1,230,848	1,230
Champaign	0	8	$1,641,130	1,640
Clark	4	15	$3,077,119	3,075
Clermont	0	18	$3,692,543	3,690
Clinton	0	6	$1,230,848	1,230
Columbiana	0	19	$3,897,684	3,895
Coshocton	0	4	$820,565	820
Crawford	0	11	$2,256,554	2,255
Cuyahoga	13	160	$32,822,603	32,800
Darke	0	5	$1,025,706	1,025
Defiance	0	7	$1,435,989	1,435
Delaware	0	7	$1,435,989	1,435
Erie	0	8	$1,641,130	1,640
Fairfield	2	11	$2,256,554	2,255
Fayette	0	7	$1,435,989	1,435
Franklin	28	183	$37,540,853	37,515
Fulton	0	6	$1,230,848	1,230
Gallia	0	9	$1,846,271	1,845
Geauga	0	3	$615,424	615
Greene	2	14	$2,871,978	2,870
Guernsey	0	10	$2,051,413	2,050
Hamilton	14	123	$25,232,376	25,215
Hancock	0	9	$1,846,271	1,845
Hardin	0	4	$820,565	820
Harrison	0	1	$205,141	205
Henry	0	4	$820,565	820
Highland	0	7	$1,435,989	1,435
Hocking	0	6	$1,230,848	1,230
Holmes	0	2	$410,283	410
Huron	0	10	$2,051,413	2,050
Jackson	0	5	$1,025,706	1,025
Jefferson	0	15	$3,077,119	3,075
Knox	0	7	$1,435,989	1,435
Lake	0	40	$8,205,651	8,200
Lawrence	0	14	$2,871,978	2,870

Licking	2	17	$3,487,402	3,485
Logan	0	6	$1,230,848	1,230
Lorain	1	30	$6,154,238	6,150
Lucas	6	67	$13,744,465	13,735
Madison	0	7	$1,435,989	1,435
Mahoning	2	42	$8,615,933	8,610
Marion	0	10	$2,051,413	2,050
Medina	0	15	$3,077,119	3,075
Meigs	0	3	$615,424	615
Mercer	0	4	$820,565	820
Miami	2	15	$3,077,119	3,075
Monroe	0	2	$410,283	410
Montgomery	14	83	$17,026,726	17,015
Morgan	0	2	$410,283	410
Morrow	0	2	$410,283	410
Muskingum	2	14	$2,871,978	2,870
Noble	0	1	$205,141	205
Ottawa	0	0	$0	0
Paulding	0	1	$205,141	205
Perry	0	3	$615,424	615
Pickaway	0	8	$1,641,130	1,640
Pike	0	5	$1,025,706	1,025
Portage	0	9	$1,846,271	1,845
Preble	0	2	$410,283	410
Putnam	0	3	$615,424	615
Richland	1	22	$4,513,108	4,510
Ross	1	12	$2,461,695	2,460
Sandusky	0	6	$1,230,848	1,230
Scioto	0	11	$2,256,554	2,255
Seneca	0	6	$1,230,848	1,230
Shelby	0	5	$1,025,706	1,025
Stark	2	66	$13,539,324	13,530
Summit	3	65	$13,334,183	13,325
Trumbull	1	38	$7,795,368	7,790
Tuscarawas	0	16	$3,282,260	3,280
Union	0	1	$205,141	205
Van Wert	0	5	$1,025,706	1,025
Vinton	0	0	$0	0
Warren	0	15	$3,077,119	3,075
Washington	0	21	$4,307,967	4,305
Wayne	0	19	$3,897,684	3,895
Williams	0	8	$1,641,130	1,640
Wood	0	11	$2,256,554	2,255
Wyandot	0	2	$410,283	410

About “Trapped in Debt, County after County”
In defining predatory payday lending, we consider borrowers who have had five or more loans per year to be caught in a cycle of debt. A borrower facing financial crisis rarely will be able to resolve their problem in two weeks and pay off their loan in full. Instead, they become caught in the cycle.

When analyzing data in counties with less than 10 storefronts, it’s important to remember that loan volumes may vary depending on the age of the storefront and other factors.