



## South Euclid officials displeased with opening of Mayfield Road lending business

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By



**SOUTH EUCLID** -- Mayor Georgine Welo is not happy that a LoanMax store has opened in the city and is warning residents of the repercussions of doing business at such an operation.

Further, she is asking residents to write to their state leaders to get something done to prevent such businesses from operating in the area.

LoanMax, 4546 Mayfield Road, opened a week ago in the building that was, until three years ago, home to Dairy Queen. Operated by Drummond Financial Services, LoanMax has stores in 19 states and is relatively new to Ohio. The South Euclid location is the first in northeast Ohio, with others operating in Akron, Canton and Medina.

"The nature of this business is to provide cash loans on car titles," Welo wrote in a letter to Ohio Attorney General Michael DeWine seeking state action. "It seems customers receive high-interest loans by using their car titles as collateral.

"This business concept seems to be very similar to predatory lending as it is nearly impossible to pay off the loans in a timely fashion. In a worst-case scenario I could see consumers having to go to a 'payday' lender to take out a loan to repay LoanMax to avoid losing their cars."

Welo said also sent a similar communication to State Rep. Kenny Yuko, D-7, in April but has yet to hear back from either DeWine or Yuko.

"If they're operating within the rules and stipulations of the law, there's not much we can do," Yuko told the *Sun Messenger*. "If no one goes in there, they're going to close as soon as they opened.

"There's nothing we can do unless the attorney general comes down with a ruling that says they are not operating within the confines of the law."

"As community services director," said South Euclid's Keith Benjamin, "this kind of business is not good for the residents and its not good for the community. That kind of business practice and model should be illegal."

Benjamin said the city can do nothing to stop its operation in South Euclid in that the city's code allows for such businesses, but added, "We do not want this kind of establishment in our community."

When asked for comment, LoanMax's regional manager said he could not comply, but offered to have a company spokesman call the *Sun Messenger*. That call did not come.

### **Seeking a law change**

Welo said she would like to see the state legislature alter its laws to prevent a business like LoanMax from operating in Ohio.

"I hope that everybody who agrees with me will write their state representative and the attorney general," Welo said. "This isn't South Euclid's problem, this is the state of Ohio's problem."

Ward 3 Councilman Ed Icové, a lawyer who works in the field of consumer law, said that if banks cashed checks for all people, such businesses would not be in existence.

"Generally speaking, banks don't cash checks for people unless they have an account with them. In general, the poor always pay more for goods and services.

"In my opinion, there's a number of different types of organizations created by the legislature so people have the opportunity to make money."

### **A vicious cycle**

Julie Robie, managing attorney for the Legal Aid Society of Cleveland's consumer law practice group, said that, although the state legislature passed the Short Term Loan Act in 2008, capping the annual percentage rate of lenders at 28 percent (prior to the act's passage, the annual allowable rate, which includes all fees associated with a loan, stood at 391 percent) lenders have found ways around the act.

"Lenders get licensing not through the Short Term Loan Act, but through others like the Ohio Mortgage Loan Act or through the Small Loan Act," she said. "No lenders in Ohio are now licensed through the Short Term Loan Act."

Operating under other licensing has allowed lenders to continue charging exorbitant interest rates.

"In fact, the average loan now has a higher interest rate than before the Short Term Loan Act was passed," Robie said.

The average "payday" borrower hopes to take out a short term loan to meet a pressing need and be quickly done with their problems. Robie, however, quoted a Pugh Charitable Trust study that shows that the average payday loan borrower takes out eight loans in a year. Because of a high interest rate, she said, the borrower must take out further high-interest loans to pay off previous loans.

Welo said she hopes people don't use LoanMax's services, but added, "Maybe they see it as their last resort."

A spokesman from DeWine's office said they have yet to field a complaint about LoanMax. The spokesman also said DeWine's office would be responding to Welo's letter.

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