



## Auto-title lenders peel into Ohio: Plain Dealing

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Prepare for the invasion of the title snatchers.

Ohio's reputation as a state that greets predatory lending with a yawn has encouraged TMX Finance, the nation's largest auto-title lender, to expand into Ohio.



Reid Brown, Plain Dealer

Auto title loans are the first-cousins of payday loans, which the state officially outlawed in 2008 but has unofficially allowed to go unchecked ever since.

Like payday loans, auto title loans are meant for people who are broke but who own their cars outright. Both types of short-term loans carry triple-digit interest rates. But instead of borrowing against their next paycheck, consumers pledge their cars.

Loan amounts are bigger – and so are the stakes.

Putting one's wheels on the line "makes it riskier in terms of how much wealth you can lose in a single transaction," says Julie Robie, who heads the consumer division of Cleveland Legal Aid.

And it's not just money, she notes. Losing a car can create other complications for consumers, not least of which is being unable to get to work.

Auto title loans have the same patterns of repeated borrowing typical of payday loans.

"**Driven to Disaster**," a report by the Consumer Federation of America and the Center for Responsible Lending, found the average title-loan borrower took out eight loans. That type of loan churning is an

indicator that consumers are unable to pay off their loans – no surprise since a consumer's ability to repay

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isn't taken into account in this type of lending.

Ohio doesn't have a law that specifically allows auto title lending – and the state's legislature has in the distant past rebuffed attempts to create a statute to allow it.

But car title lenders, like payday lenders, claim there's room for them to do business under other state statutes.

They certainly won't be challenged. The state Department of Commerce has allowed payday lenders to continue to do brisk business here, despite the fact payday loans were outlawed by Ohio voters in 2008. Back then, Ohioans were outraged at annual interest rates of 391 percent. Oh, for the days. Payday lenders now charge up to 700 percent, and Commerce and the legislature shrug.

So similar lenders saw their chance. Auto title lenders Ace Cash Express and LoanMax created outposts in the state last year. TMX Finance, a Georgia company with an aggressive growth strategy, just announced it's moving in. It told the Department of Commerce it plans to open 12 TitleMax stores in the Buckeye State, including two in Northeast Ohio.

Ace Cash makes two-week auto-title loans under the state's mortgage lending statutes. The Department of Commerce granted LoanMax and TitleMax credit services organization licenses. The credit services law prohibits license holders from directly issuing loans, limiting them to acting as a kind of broker. It's unclear what relationship the companies have with the entities that ultimately provide the loan.

Uriah King of the Center for Responsible Lending said his group doesn't believe Ohio's credit services organizations act can be stretched to include car title loans, despite Commerce's issuance of the licenses.

(Remember, Commerce also continues to license payday lenders as mortgage and credit services lenders, too.)

"I think it's pretty indicative of what Commerce is capable and willing to do – which is nothing," he said.

Policy Matters Ohio, a Cleveland-based think tank, looked at **the emergence of auto-title lending in Ohio** last spring and called on the state to enforce the credit services organization law.

In its "Keys for Collateral" report, Policy Matters makes it clear the legislature needs to get out ahead of what could become a payday-size problem and specifically prohibit auto-title lending.

But the legislature, like commerce, seems content to sit in idle. After all, it's not their wheels that are at risk.

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