Payday lending ... a last resort?

By SCOTT SERFOZO
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Did you know that Ohio has more payday lending locations than McDonalds, Burger King, and Wendy's restaurants combined? Probably not. However, most everyone has seen the advertisements in their community ... "Get Cash Fast" or "Money in your Pocket Today." Here are several little-known facts about payday lending:

• The number of payday lending locations in Lorain County grew from one in 1996 to 30 in 2006.

• Annually, 7.6 million workers nationwide receive 83 million payday loans at a cost of $3.4 billion.

• Only 1 percent of all payday loan borrowers repay their loan within two weeks and do not take out another payday loan in the same year.

• The other 99 percent of payday loan borrowers take out an average of 9 payday loans per year.

• Repeat payday lending customers are four times more likely to have filed bankruptcy than the average adult.

Payday lenders offer short-term, high interest loans that are to be repaid from the borrower's next paycheck. The fees are typically $15 for every $100 borrowed during a two-week period. $15 may not seem like much at first glance, but this amounts to an annual percentage rate of 391 percent. Also, payday loan borrowers can be subject to fees as often as every two weeks if the debt is not repaid on time.

Consider the story of Peg, age 47, from Wooster. Peg lives on monthly disability income and originally borrowed only $500 for needed medication and car repairs. When she couldn't afford to pay off the first loan, she went to a second payday lender and obtained another loan. Paying a $75 fee every other week on the original $500 loan cost her $1950 in fees over the course of a year, equaling an interest rate of 390 percent.

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In order to avoid a financial disaster such as Peg's, there are several less costly alternatives that should be explored prior to considering a payday loan:

• Payment plan with creditors. Consumers should always attempt to deal directly with their creditor prior to obtaining a payday loan. Many creditors are willing to negotiate partial payment plans with reasonable interest rates if the consumer agrees to a set payment schedule. Payment plans give consumers additional time to pay off existing debt without being forced to incur the additional debt of a payday loan.

• Advances from employers. Some employers are willing to grant paycheck advances to employees. This is a great alternative to payday lending because it is a true advance, rather than a loan, so there is no interest charge. Employees should not feel ashamed or uncomfortable asking their employers for an advance when the money is needed for living expenses.

• Consumer credit counseling. There are various consumer credit counseling agencies throughout the country that can help consumers work out a debt repayment plan with creditors or develop a budget. These services are typically available at little or no cost. Contact a nationally accredited consumer counseling agency in your area by calling (800) 388-2227 or visiting DebtAdvice.org.

• Credit union loans. Many credit unions offer small, short-term loans to their members. Credit unions can provide low interest loans (generally in the range of 18 percent annual interest, which is more than 20 times cheaper than a typical payday loan) with quick approval on an emergency basis. Unlike payday loans, these loans give borrowers a real chance to repay their debt with longer payback periods and installment plans.

• Consumers need to be aware that payday loans are rarely short term and should only be used in a time of crisis. Ultimately, the best alternative to payday lending is the use of a monthly budget and a savings account to avoid the need to borrow small sums of money to meet emergencies and unexpected expenses. Just $300 in a savings account would protect many payday loan borrowers from the steep fees and high interest rates.

If a payday loan is the only available alternative, borrow only an amount that is affordable. Remember that you must be able to pay off the loan and still have money left to live on for the next few weeks.

If you have a legal question, call The Legal Aid Society of Cleveland at (216) 687-1900 and ask for details about the next Brief Advice and Referral Clinic. These sessions are held in neighborhoods throughout Cleveland on Saturday mornings.

Serfozo is a summer associate with the Legal Aid Society of Cleveland. His source for the information above is "Trapped in Debt: The Growth of Payday Lending in Ohio," D. Rothstein, February 2007 (ResponsibleLending.org).

Report: Payday lenders thrive on repeat debt spiral

By RUSSELL WALKER
Staff Reporter

In a few cases, so-called "payday loans" are simply a once or twice thing for some people who need cash they may not otherwise have access to in order to get out of a tight financial corner.

But more often than not, such loans are simply the first step in a never ending cycle of debt for those who use them all the time, a cycle fostered by the payday lenders who count on the repeat business to thrive.

How much these lenders rely on consumers, and just how much of an impact these companies are having on Ohio, is the subject of a report released last week by the Ohio Coalition for Responsible Lending.

The report, entitled "Trapped by Design: Payday Lending by the Numbers," is the result of a four month study by the organization into the state's four largest payday lenders - Advance America, Cash America, ACE Cash Express and QC Holdings (Quick Cash) -based the 10-K filings made to the Security Exchange Commission.

"The kind of help payday lenders provide to Ohioans drowning in debt is to throw them a cement life jacket," said Bill Faith, executive director of COHHIO, an OCRL member organization. "This flawed loan product trapped more than 315,000 people in Ohio last year and dragged them into a vicious cycle of extraordinarily high-cost debt."

Payday loans are marketed as short-term cash advances obtained by submitting a post-dated check or electronic checking account information as collateral.

Customers pay about $15 in fees every two weeks for each $100 borrowed and are required to pay the principal and fees in full when the loan is due, generally on the next payday.

If they are unable to repay the original loan amount, a person can re-borrow same amount the very next day, again incurring the same fees, or simply go to another payday lender to borrow the funds to pay off the first payday lender.

Payday loans cost Ohioans millions of dollars in excessive fees annually because of annual interest rates up to 391 percent of original loans and the practice of flipping small cash advances into long-term, high cost loans. This practice creates high debt situations for many families and traps people into a cycle of chronic borrowing.

This is especially true for African-American families because payday lenders tend to locate their stores in neighborhoods with higher concentrations of Black residents.

Among some of the report's conclusions:

• Ohio payday borrowers pay over $318 million in payday loan fees annually.

• The average payday loan is $328 with an average APR of 391 percent.

• The average Ohio payday borrower takes out 12.6 loans per year.

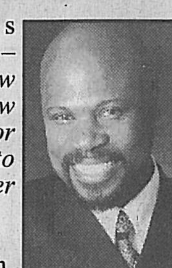
"Our examination found that of 513,000 Ohioans that utilize payday loan product, over 300,000 of them have been caught in the debt trap," said Tom Allio, OCRL chair. "From a faith-based perspective, we see this industry product as nothing short of usury. Over $318 million in exorbitant loan fees are being picked from the pockets of hard working Ohio families and their neighborhoods."

Although payday lending exists in Ohio, it is still illegal in other states. However, the group is working to changing this by joining forces with various Ohio politicians on payday loan-curbing legislation designed to protect Ohioans that would, among other things, establish a small loan rate cap of 36 percent as well as prohibit the use of post-dated checks as collateral and to expand the small loan market.

"These are the legislative steps we need to take immediately to protect Ohio borrowers from the debt trap," said Faith. "If we've learned anything from the foreclosure crisis in Ohio, it's that the legislature can't afford to wait to take action."

The report, in its entirety, can be found at the COHHIOS Web site at cohhio.org.

Olivet men to host annual conference Sept 28-29th


Rev. Dr. Wintley Phipps


Rev. Otis Moss III

Psalms 133:1 – *"Behold, how good and how pleasant it is for brethren to dwell together in unity!"*

The fourth annual Men's Conference presented by Olivet Institutional Baptist Church will take place on Friday and Saturday, Sept. 28-29, at the Hilton garden Inn in Twinsburg.

Highlights of the conference include keynote sermons on Friday by Dr Wintley Phipps, pastor, Palm Bay Seventh Day Adventist Church in Florida, and the return of one of Olivet's sons, the Rev. Otis B Moss III, pastor of Trinity United Church ... Healthy & Keeping Fit." Presenters will be Dr. Sonja Harris-Haywood and Dr. Richard Grant of University Hospitals.

• "Prayer – Strengthening Our Prayer Life." Presenter is the Rev. Dr. Marvin McMickle, pastor of Antioch Baptist Church.

• "Preparing to Serve – How ready are you?" Presenter is the Rev. Dr. Valentino Lassiter, pastor of East View United Church of Christ.

• "Money Matters – Improving Our Financial Health." Presenters: Emmanuel Glover and Burner Gray

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