



## **H.B. 358**

127th General Assembly

(As Referred to H. Financial Institutions, Real Estate and Securities)

**Reps. Yates, Barrett, Bolon, Celeste, Chandler, Dyer, Fende, Harwood, Heard, Luckie, Mallory, B. Williams**

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### **BILL SUMMARY**

- Lowers the interest rate and fees that a check-cashing lender may charge on a loan.
- Prohibits a check-cashing lender from accepting certain methods of payment as security for the obligation on the loan.

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### **CONTENT AND OPERATION**

#### **Check-cashing Lender Law**

In order to originate loans in Ohio, a "check-cashing lender" (sometimes more popularly known as a "pay day lender") must be licensed by the Superintendent of Financial Institutions (R.C. 1315.36). There is a two-tier system of licensing for check-cashing businesses in Ohio. A business licensed under R.C. 1315.23 may cash checks and pay their customers the full amount of the check less any charges permitted by law. In order to legally make loans, however, a check-cashing business must obtain a second license under R.C. sections 1315.35 to 1315.44. Current Ohio law requires that these loans be made pursuant to a written loan contract, be not for more than \$800, and not have a duration of more than six months. Current law permits licensees to charge a loan origination fee and interest at a rate not to exceed 5% per month or fraction of a month on the unpaid principal of the loan. Licensees also may charge check-collection fees.

#### **Interest rate and fees**

(R.C. 1315.39, 1315.40, and 1343.01)

Under current law, a licensee may charge a loan origination fee of \$5 per \$50 up to the first \$500 of the loan and \$3.75 per \$50 of the amount of the loan

between \$500 and \$800. A licensee also may charge a check-collection fee not exceeding \$20 plus any amount passed on from a financial institution for a returned or dishonored check, share draft, or negotiable order of withdrawal. The bill prohibits the charging of a loan origination fee, unless the loan origination fee is included in the calculation of the interest rate and the interest rate on the loan does not exceed 25% per annum. The bill also limits check-collection charges to one charge per loan.

Current law permits licensees to charge interest at a rate not to exceed 5% per month or fraction of a month on the unpaid principal of the loan. The bill requires that the interest be calculated in compliance with section 2905.22 of the Revised Code, which prohibits interest at a rate exceeding 25% per annum, and is calculated to include any loan origination fee and all other fees and charges contracted for under the loan contract. The bill also specifically exempts loans that are made pursuant to the Check-cashing Lender Law from the interest rate limitation contained in R.C. section 1343.01, unofficially referred to as the civil usury limit.

**Prohibition on accepting certain methods of payment**

(R.C. 1315.41)

The bill prohibits a check-cashing lender from accepting a check or other method of access to a deposit account maintained by the borrower, or the title of a vehicle as security for the obligation.

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**HISTORY**

ACTION	DATE
Introduced	10-18-07
Referred to H. Financial Institutions, Real Estate and Securities	10-25-07

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