



April 17, 2008

**An Open Letter to the Ohio House of Representatives:
Respect the Working People of Ohio, Don't Abolish Payday Loans!**

Dear Representative:

I am writing on behalf of the National Taxpayers Union's (NTU's) 13,600-plus members in Ohio. As an organization committed to protecting economic freedom and the rights of taxpayers nationwide for over 35 years, NTU urges you to oppose any legislation imposing restrictive annual rate caps on consumer loan products, particularly payday loans. Such proposals would effectively put payday lending services and their employees out of business in Ohio, by making it unprofitable to offer these loans. Don't deny consumers living paycheck to paycheck a critical financial option.

NTU believes that eliminating the payday loan industry will cost Ohio taxpayers millions of dollars. If payday loans are legislated out of existence, there will be additional political pressure to boost government assistance programs when Ohioans can no longer help themselves because the most common – and often only – method to help cover unplanned expenses has been eliminated.

NTU is also concerned that thousands of Ohioans would be forced onto the unemployment rolls if the industry were to be eliminated – again, squeezing taxpayers as well as the Buckeye State's budget. Across the state, 7,500 Ohioans employed by the payday lending industry would lose their jobs, be deprived of their wages, and lose their health insurance and other benefits. When these families need help, Ohio taxpayers will almost certainly shoulder that heavy burden.

Some self-styled “consumer advocates” claim that when payday loans are eliminated, there will be other ways to help people get short-term cash for critical situations that won't hurt the taxpayers of Ohio. However, these claims do not hold up to close scrutiny. When states, charitable institutions, and non-profit organizations around the country have developed payday loan alternatives, they were dependent on government subsidies and were typically unavailable to the general public.

In many instances, these payday loan alternatives are not, and could never be, a viable business venture. Goodwill's program is but one example. The non-profit, charitable organization charges customers almost \$10 per \$100 borrowed (for an APR of 252 percent) for its payday loan alternative. This is a commendable gesture, but many Americans would rather

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not be forced to accept charity to make ends meet. Payday lenders charge around \$15 per \$100 borrowed. The extra \$5 is the difference between charity and a sustainable business model that can provide short-term credit options for Ohioans who need a little help to cover their expenses.

In Pennsylvania, another non-profit, short-term credit option was made possible only with a \$20 million investment by the State Treasury. No taxpayer in your state should ever be forced to subsidize short-term loans for other employed Ohioans.

Such problems are not new to our organization. Indeed, for the better part of a decade NTU has warned that payday lending has become one of big government's favorite victims. As a 2001 NTU Issue Brief noted:

[S]ome state and even federal officials want to go beyond sensible business practice guidelines, and do for payday loans what they did to S&Ls [Savings and Loans] and GSEs [Government-Sponsored Enterprises]: either take them over directly and hand the bill of operations over to taxpayers, or strangle them with so many petty regulations that the overarching laws of the marketplace are forever subverted. Neither of these two outcomes should be acceptable to hard-working Americans, which is why payday loans constitute a fiscal issue in which taxpayer advocates have a vital interest.

This week, after many residents completed the arduous federal income tax filing process, Ohio lawmakers should put their trust in the free market and the common sense of working people who understand that taking out a payday loan can be a sound financial option, often cheaper than a bounced check fee or a utility bill late charge. A punitive interest rate cap will not help consumers – it will make credit less accessible to Ohioans and cost taxpayers millions of dollars. A higher tax burden is something that NTU's 13,600-plus Ohio members, and our 362,000 members throughout the country, actively oppose.

Sincerely,

A handwritten signature in black ink, appearing to read "Duane Parde". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Duane Parde
President