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Marc E. Dann
Direct Dial: 216-452-1026
Email: MDann@DannLaw.com

Testimony of Marc Dann

Senate Finance Committee on HB 123

Chairman Oelslager, Ranking Member Skindell and members of the Committee, my name is Marc Dann. I am the founding partner of DannLaw a consumer and disability rights law firm with offices in Cleveland, Columbus, Cincinnati and other locations across the United States. Previously I served as Ohio's Attorney General, the Chief Consumer Protection Officer of our state, as well as a member of the Ohio Senate.

During my time as AG I held a series of public hearings on the payday lending industry. During those sessions people from across Ohio talked, often tearfully, about their experiences and the hopelessness they felt as they struggled to deal with the crushing debt they had unwittingly incurred. The dozens of hours of testimony offered by the industry's victims and the conclusions my office reached about the practices payday lenders utilized to trap consumers in a seemingly never-ending cycle of debt were presented to the General Assembly in 2008. Members of the House and Senate carefully considered the findings and then enacted the Short Term Loan Act--a serious attempt to curb industry abuses and protect Ohio's working class and poor families.

Mailing Address
PO Box 6031040
Cleveland, Ohio 44103

Writer's Office Location
2728 Euclid Ave, Suite 300
Cleveland, Ohio 44115

DannLaw.com
[877] 475-8100

Unfortunately, clever lenders found a way to work around the law: they simply declined to register and do business under the new Act and continued to make loans carrying effective interest rates ranging from 200 to 2000 percent under the auspices of other regulatory schemes including the Mortgage Loan Act.

The industry's blatant attempt to subvert the law was challenged in court. The case, *Cashland v. Scott*, was eventually heard by the Ohio Supreme Court which issued a unanimous decision that placed a stamp of approval on the industry's tactic and said the makers of small consumer loans in Ohio simply did not have to follow the provisions of the Short Term Loan Act.

Although the ruling was unanimous, Justice Paul Pfeiffer noted in his concurring opinion that something was amiss:

“I write separately because something about the case doesn’t seem right. ¶ 43} There was great angst in the air. Payday lending was a scourge. It had to be eliminated or at least controlled. So the General Assembly enacted a bill, the Short-Term Lender Act (“STLA”), R.C. 1321.35 to 1321.48, to regulate short-term, or payday, loans. And then a funny thing happened: nothing. It was as if the STLA did not exist. Not a single lender in Ohio is subject to the law. How is this possible? How can the General Assembly set out to regulate a controversial industry and achieve absolutely nothing? Were the lobbyists smarter than the legislators? Did the legislators realize that the bill was smoke and mirrors and would accomplish nothing?”



We have recently downloaded the CFPB Consumer Dispute Database and having reviewed the payday lending complaints from Ohio and can tell you with certainty that nothing has changed. I urge you each to take a look for yourself. I included a link in my written testimony.

<https://www.dannlaw.com/complaint-database/>

Now, after too many years have elapsed and too many consumers have been trapped in predatory loans, the General Assembly is renewing its efforts to rein in the industry. I applaud the members for doing so and am pleased to appear here as an interested party on behalf of both the National Association of Consumer Attorneys (NACA) and the National Association of Consumer Bankruptcy Attorneys (NACBA). I am here because I want to make sure that your effort is not wasted because the payday lending industry was able to derail HB 123 at this critical moment.

Let me begin by saying that I respect and admire the legislators and interested parties who labored intensively for many months to draft legislation that will finally provide Ohio consumers with the protection they need and deserve.

HB 123 reflects the realities of the marketplace, evolving technology, and the experience of lenders and consumers both here in Ohio and across the nation. I know it has not been easy to arrive at the point at which enactment of this much-needed legislation is within reach. The journey was made perilous and at some points seemed impossible thanks to roadblocks erected

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by the finance companies, lenders, and lobbyists who devoted themselves to maintaining the status quo that generates the industry's mammoth profits.

The stranglehold these special interests have on the General Assembly was starkly demonstrated by the fact that HB 123 did not move in the House until the former speaker resigned in the wake of reports that he was being investigated for ethical lapses that involved the payday lending industry. No one believes the former speaker's resignation and passage of this important bill by the other chamber was a coincidence or the result of happenstance.

Now the Senate has the opportunity to join the House in breaking free of the industry's corrosive influence. Like your colleagues in the other chamber, you should reject last minute attempts to insert a poison pill amendment into the bill and recommend its immediate passage in its current form by the full Senate.

When you do, you will be standing up for and protecting the interests of your constituents, many of whom are financially unsophisticated and desperate because they have become unemployed, seen their incomes fall, or lost their homes as a result of the mortgage crisis.

We all know what this legislation does and does not do. We all know who supports it and who opposes—and we know why. The debate has been going on for ten years. There's no need for

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me to recount the many ways this legislation will make life better for Ohioans whose desperation has fueled the legal loan sharking industry for far too long.

What I can offer, what I came today to offer is perspective. I once sat where you are. I once occupied one of the most important offices in this state. Since the day I left that office, I have become an expert in self-reflection. Each and every day I reflect upon the mistakes I made, the people I disappointed, the things I could and should have done differently.

And I reflect on the good things I did and the positive impact I had on the lives of the people of this state.

As you vote on this bill, I urge you to engage in some self-reflection. Think of how this vote will affect the lives of the people you were elected to serve. I implore you not to miss this opportunity to make our state a better place to live, work, and raise a family. I respectfully ask that you vote for this bill in its current form now and on the floor of the Senate.

It is a vote you will never regret.

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