Senator Louis F. Terhar
8th Senate District

Senate Bill 24 Sponsor Testimony

Senate Insurance and Financial Institutions Committee
February 14, 2017

Chair Hottinger, Vice Chair Hackett, Ranking Member Brown, and members of the Insurance and Financial Institutions Committee, thank you for allowing me the opportunity to testify today on behalf of Senate Bill 24.

Since the early 1960s, consumer installment loan lenders have operated in Ohio under the Ohio Mortgage Loan Act (OMLA). The OMLA permits licensees to issue several different types of loans, including personal loans, mortgage loans, auto loans, and unsecured lines of credit. Most of the loans made by these traditional consumer loan lenders are long-term installment loans, meaning loans are typically more than 24-36 months and are payable in equal monthly installments over the term of the loan.

In 2008, changes were made to the short-term lending law to include much shorter loan duration and the broader use of unsecured credit loans under the OMLA. As a result, the original statute that was created for a certain type of loan was expanded to include multiple types of loans.

Senate Bill 24 will create the Consumer Installment Loan Act (CILA) and will modernize consumer lending laws in Ohio. It will distinguish for consumers, regulators, and industry participants which types of loans should be made under specific sections of Ohio Revised Code Chapter 1321. In many respects, the CILA will duplicate the original OMLA in a new series of code sections, and will clearly indicate that CILA loans must have a minimum loan term of six months, be payable in equal monthly installments, have stricter limits on refinancing of loans, and not be secured by real estate. The CILA will more accurately reflect the business of traditional installment lending and create a new code section clearly dedicated to that industry segment, eliminating confusion for borrowers and lenders alike, and simplifying the job of the industry regulators.

This bill also contains a few provisions requested by the Division of Financial Institutions at the Department of Commerce. SB 24 will modify record retention requirements to reflect the ability to use electronic record keeping, require licensees to comply with the Fair and Accurate Credit Transactions Act of 2003, require licensees to notify the Superintendent of financial institutions via a written notice 60 days prior to a change of 50% or more in ownership, and provides penalties for violations.

Senate Bill 24 will provide clarity for borrowers, lenders, and state and federal regulators. It is a result of the current effort to modernize Ohio's statuses that cover all banking and lending in Ohio.

Chairman Hottinger, I thank you once again for the opportunity to testify on behalf of Senate Bill 24. If there are any questions, I would be happy to answer them at this time.