



230 E. TOWN ST.  
COLUMBUS, OH 43215  
614 228-4201

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January 16, 2018

The Honorable Bill Blessing  
Chairman, House Government Accountability & Oversight Committee  
Ohio House of Representatives  
77 S. High St.  
Columbus, OH 43215

Dear Chairman Blessing,

On behalf of the Ohio Chamber of Commerce, I write to express opposition to House Bill 123, legislation that proposes to cap at 28 percent the amount of interest that can be charged on short-term consumer loans. This would put at risk access to credit for millions of Ohioans and also have a negative impact on Ohio's economy.

Short-term lending companies provide a financial services product that tens of thousands of Ohioans use responsibly for a variety of short-term financial needs. Many of these consumers do not utilize traditional banks or credit unions or may have poor credit scores. Nonetheless, they occasionally do need credit and financial services and, when they do, they turn to short-term lenders. This is a clear example of industry addressing a market need: the need for short-term consumer loans.

In both 2008 and in 2010, the Ohio Chamber opposed legislation similar to HB 123 to regulate the payday lending industry in Ohio. Our concerns then remain our concerns today: that such a cap would mean these lenders could not charge enough on the unsecured, short-term loans they offer to cover their overhead costs. Given that short-term loan default rates can be as high as 20 percent, the industry's viability would be threatened.

Further, according to an economic impact study conducted by an economics professor at Kent State University, the purchases made in 2014 using the proceeds from short-term consumer loans generated more than \$500 million in additional direct spending. This is spending that would not have occurred without the existence of the short-term loan industry. While the study concluded that utilities, medical providers, and grocery stores benefited the most from this spending, it is clear that short-term lending positively impacts many different Ohio industry sectors. This is in addition to the positive economic impact that derives from the thousands of Ohioans with good-paying jobs that work within the industry itself.

Lastly, according to the bill's sponsor, HB 123 was modeled after similar legislation enacted in Colorado in 2010. According to Pew Charitable Trust, more than half of the Colorado stores offering these types of loans closed after the 2010 law took effect.

If there are certain practices employed by the short-term consumer loan industry that should be limited or curbed, it is obviously appropriate for the legislature to discuss how to address them. However, it should not go to the extreme of potentially putting entire businesses at risk of closing, as happened in Colorado.

The Ohio Chamber believes HB 123 goes beyond regulating certain practices or protecting consumers, and therefore opposes this bill. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Keith Lake". The signature is written in a cursive, slightly slanted style.

Keith Lake  
Vice President, Government Affairs

cc: Members of the House Government Accountability & Oversight Committee  
Rep. Michael Ashford  
Rep. Kyle Koehler  
Speaker of the House Cliff Rosenberger