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Payday payback

Between 1999 and 2004 payday loans increased nearly 300 percent to \$249 million in loans, and with no cap on interest rates. Oregon is one of only seven states without such a cap.

While working families might see a need to get a payday loan, it is not in their best interest to do so. With exorbitant interest rates and fees, the loans become chronic debt when they are construed as helpful credit.

Payday Loan Industry is one of the fastest growing industries in Oregon. A recent press release reported there are more payday loan stores than McDonald's.

Religious leaders, former payday loan customers, emergency food providers, members of the Ecumenical Ministries of Oregon, Children First for Oregon, AARP Oregon, Oregon Catholic Conference, Oregon Hunger Relief Task Force, Oregon Food Bank, Oregon Consumer League, National Association of Social Workers, Oregon Law Center, OSPIRG and many others are advocating for a bill to protect consumers from the high interest rates and fees.

Typically, a payday loan will work as follows:

There is a fee average of 17 to 20 percent on every \$100 borrowed (\$15 per \$100 was the lowest rate found). At 20 percent, if the loan is for \$500, \$600 must be paid back in two weeks. That \$100 translates to an APR of 300 to 700 percent. If the loan amount cannot be paid back in full in two weeks, it can be rolled over into another loan for another \$100 charge. Rollovers can be done up to three times, then the borrower is turned over to collectors. It becomes a downward spiral into a debt hole for the consumer.

The advocacy groups above want both lenders and borrowers to be responsible. They want some protection for borrowers with a law that would allow 30 days, instead of the industry norm two weeks, to pay back a loan; partial payments instead of the full amount, and some restrictions as to the rates and fees so that lenders cannot exploit consumers.

This effort deserves our support. (gs)

The Hillsboro Argus editorial board consists of Clark Gallagher (wgc), Gary Stutzman (gs) and Doug Browning (db).

We welcome your comments.