

The Oregonian

Getting a grip on the fast-cash industry -

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For evidence of how easily Portland-area households can convert their assets into liabilities, take a drive down Southeast Powell Boulevard. You can't make a turn without landing in a parking lot with signs advertising "Payday Loans," "Car Title Loans" or "Cash Advances."

These storefront operations will happily give you cash in exchange for a slice of the value of your next paycheck or your automobile, plus a healthy vigorish of, say, \$60 on a \$300 loan. Typically, these are 14-day loans, but if you must, you can roll it over, as long as you pay the vig again. What that means in practice is that borrowers who can't afford to promptly repay their loans slip into a whirlpool of debt, paying interest on interest but never reducing the loan principal.

Oregon remains one of the friendliest states to these practices, which is why payday loan shops have proliferated here. As The Oregonian's Bill Graves reported Dec. 11, Oregon has a higher density of such shops than either California or Washington, with 149 in the Portland area alone.

There's obviously a market for cash-advance operations, and there's obviously a good business to be made by serving it. It's also obvious that many people with pressing financial needs end up in a worse situation after getting a loan than they were in before.

That's why Portland City Commissioner Dan Saltzman is preparing to introduce a proposed city ordinance that would help fill the void left by the inaction of the Oregon Legislature last session. The Legislature failed to pass a sensible bill that would have capped the interest rates that payday loan companies are allowed to charge -- as at least three dozen other states have done. But legislators succumbed to heavy lobbying and failed to pass the proposal, so it's left to municipalities like Portland to protect its desperate and vulnerable citizens.

An aide says Saltzman's proposal, which isn't yet written, will give borrowers a window to rescind their loans, require lenders to let borrowers pay down their principal before rolling over their loans, and give repeat borrowers the opportunity to repay their loans in installments.

These modest limits are entirely reasonable, though payday lenders are meeting with the commissioner to raise objections to the proposal. Saltzman is correctly focused on the most important issue, which is the vicious cycle of debt incurred when a desperate person borrows money from a fast-cash lender.

Payday loans can cause anguish as quickly as they relieve it. Couples hit with unexpected medical bills find their troubles mounting as lenders tack fees onto their borrowing. People turn to one lender to pay off fees of another. Some pay four or more times the value of their original loan but remain in debt.

In their defense, payday loan operators -- or as they prefer, members of the deferred presentment industry -- say most of their customers are responsible borrowers. They say, for example, that 60 percent of their customers didn't renew their short-term loans, or renewed fewer than five times. And they say that 70 percent of their customers use the service no more than once a month.

Those statistics aren't very heartening.

When the practices of these predatory businesses routinely inflict pain on people who are already hurting, it's time to intervene. While the Legislature fell short, we hope the City Council won't.