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## New payday lenders cheaper; Dayton area credit unions are offering cash advances at much lower annual percentage rates

By: Joanne Huist Smith - Staff Writer

When Ora Houston of Trotwood needed help paying her bills, her bank turned her down for a loan. The disabled 50-year-old turned to a payday lender she never expected -- a credit union.

"I feel like the credit union rescued me," Houston said.

Through Wright-Patt Credit Union Inc., Houston enrolled in StretchPay, a program created in Dayton that expanded nationwide this summer. StretchPay is payday lender-like with a lower annual percentage rate -- 18 percent compared with the 391 percent some payday lenders charge, according to the Federal Trade Commission.

StretchPay was conceived after a 2000 forum on payday lenders sponsored by Dayton City Commissioner Dean Lovelace. Jeff Carpenter, vice president of cooperative development for Wright-Patt, said he was touched by a young woman at the forum who was worried that, if payday lenders were shut down, "she'd have to go to a loan shark." Cash advances or payday loans -- secured with a personal check payable to the lender for the amount borrowed plus a fee -- are very expensive credit, according to the FTC. "It really sucks the money out of the poor and working-class community," said Stan Hirtle, a lawyer for Legal Aid of Western Ohio Inc. "It gets a goodly number in a debt trap they can't escape." The Dayton area has about two dozen payday lenders, including five run by Advance America. That company runs 215 storefronts in Ohio, Jamie Fulmer, director of investor relations, said.

"Ohio is one of our larger states," Fulmer said. "There's a clear demand for the product. Our customers come from the heart of the middle class. They have jobs, high school diplomas; some have college degrees. They understand they have choices." To borrow under StretchPay, you must be a member of a participating credit union; an account can be opened with a \$5 deposit, Carpenter said. Sixty days after opening the account, members can apply for 30-day loans of \$250 or \$500.

The first time members borrow, they pay an annual fee of \$35 for a \$250 loan and \$70 for a \$500 loan. That fee -- paid once per year no matter how often you borrow -- is subtracted from the loan. A second loan will not be issued until the first one is paid, Carpenter said.

Credit unions offering StretchPay Wright-Patt Credit Union Affinia Federal Credit Union Day Air Credit Union FirstDay Financial Fed CU Incenta Federal Credit Union