



# Common Sense Initiative

Mike DeWine, *Governor*  
Jon Husted, *Lt. Governor*

Joseph Baker, *Director*

## MEMORANDUM

**TO:** Yosef Schiff, Ohio Department of Commerce

**FROM:** Caleb White, Business Advocate

**DATE:** July 18, 2024

**RE:** **CSI Review – Short-Term Loan Act 5-Year Review (OAC 1301:8-11-01, 1301:8-11-02, 1301:8-11-03, 1301:8-11-04, 1301:8-11-05, and 1301:8-11-06)**

On behalf of Lt. Governor Jon Husted, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (ORC) section 107.54, the CSI Office has reviewed the abovementioned administrative rule package and associated Business Impact Analysis (BIA). This memo represents the CSI Office's comments to the Department as provided for in ORC 107.54.

### Analysis

This rule package consists of six amended rules proposed by the Ohio Department of Commerce, Division of Financial Institutions (Division) as a part of the statutory five-year review process. This rule package was submitted to the CSI Office on June 14, 2024, and the public comment period was held open through June 28, 2024. Unless otherwise noted below, this recommendation reflects the version of the proposed rules filed with the CSI Office on June 14, 2024.

Ohio Administrative Code (OAC) 1301:8-11-01 establishes the definitions used in the chapter. This rule is amended to add definitions for "borrower" and "payable in substantially equal installments," include a provision related to the calculation of interest and fees, and update language. OAC 1301:8-11-02 establishes the recordkeeping requirements for short-term lenders. This rule is amended to remove requirements for lenders to maintain loan statements and loans in litigation for two years and allow this information to be maintained in an electronic spreadsheet, update the information required to be stored in the electronic spreadsheets for loan statements and loans in litigation, allow loans to be identified by account numbers on certain documents, remove a requirement for lenders to maintain an alphabetical index of borrowers, comakers, guarantors, and other obligors that are obligated for interest in excess of the current usury rate, remove a requirement for licensees to

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segregate the loan records kept pursuant to this rule from records of other business, as well as to update and streamline language. OAC 1301:8-11-03 establishes the advertising requirements for short-term lenders. This rule is amended to remove redundant provisions covered in statute as well as to update and streamline language. OAC 1301:8-11-04 establishes the requirements surrounding the name of a licensee and establishes the process for changing a licensee's address which requires the licensee to notify the Department thirty days prior and pay an application fee if it is relocating outside of its current municipal corporation. This rule is amended to eliminate a requirement for a new license to be obtained prior to conducting business at a new location and update language. OAC 1301:8-11-05 establishes the requirements and process for renewing a short-term loan license. This rule is amended to allow a licensee to continue operating while their license renewal is pending and specify that a license renewal application must be received by December 31 of each year. OAC 1301:8-11-06 outlines requirements related to corporate surety bonds that are to be maintained by short-term lender licensees. This rule is amended to update and streamline language.

During early stakeholder outreach, the Department emailed the proposed rules to current Short Term Loan Act licensees and the Department's rulemaking distribution list for a three-week comment period. During this time the Department received a comment from Purpose Financial, Inc. DBA Advance America who had two suggestions for the Department regarding OAC 1301:8-11-01 and sought clarification regarding the first payment due date and consistency of time intervals in the definition of "installments." The Department, in response to this comment, added clarifying language to the rule. No comments were received during the CSI public comment period.

The business community impacted by the rules includes 66 short-term lender licensees in Ohio. The adverse impacts created by the rules include record keeping requirements, advertising requirements, notification requirements, a license application fee ranging from \$250 to \$1000 for relocating outside of the licensee's current municipal corporation, the costs associated with a license renewal application which includes a fee that ranges from \$250 to \$1000, the requirement to maintain a corporate surety bond in the penal sum of \$100,000 for for-profit licensees and \$50,000 for non-profit licensees, as well as the potential sanctions for rule violations which includes the denial, revocation, or suspension of a license and may include civil or criminal penalties. The Department states that the adverse impacts to business are justified to protect borrowers by ensuring that the regulated individuals and entities have the requisite character and fitness to engage in short-term lending.

### **Recommendations**

Based on the information above, the CSI Office has no recommendations on this rule package.

### **Conclusion**

The CSI Office concludes that the Department should proceed in filing the proposed rules with the Joint Committee on Agency Rule Review.