

on payday loans. By 2007 there were 1,600 payday lenders in Ohio. A statewide referendum limiting payday interest rates to 28% was passed in 2008. However, Ohio's laws allowed the payday lenders to continue operating under other laws. NHS sought to address this issue from the "supply side" by developing an alternative loan product. NHS partnered with Employee Loan Solutions ("ELS"), which offers a loan product that provides low interest emergency loans to employees of large employers. The loan proceeds are direct-deposited into the employee's bank account and the repayment is made by payroll deduction. The loan term is 12 months with no prepayment penalty, and upon repayment a positive report is made to credit reporting agencies. The default rate for this type of loan is minimal. This program does not cost the employer anything. NHS is currently working on a similar product for small employers.

The Chair recognized Mr. Weinhardt, who asked if the interest rate on this loan product is comparable to what would be charged by a conventional bank to a bankable person. Mr. Rothstein stated that conventional banks do not offer payday or emergency loans at all. They offer credit cards. The effective interest rate on this loan is similar to that of a credit card. Mr. Weinhardt asked if this loan product is available only to those employees with low credit scores. Mr. Rothstein stated that eligibility is based upon income and length of employment, and the employee must have had a bank account for at least 3 months. Mr. Weinhardt asked if the maximum loan amount of \$2,000 will change. Mr. Rothstein stated it would not change without City approval. Mr. Weinhardt asked if this program will have any effect on the business of payday lenders. Mr. Rothstein stated that the goal of NHS is to demonstrate that lenders can "lend for less."

The Chair recognized Mrs. Pyke, who asked how employees make application for the loan. Mr. Rothstein stated employees can apply online, the most effective strategy being the employee online web portal. Mrs. Pyke asked how the lender would access employee eligibility information during off hours. Mr. Rothstein stated a database of this information would be provided in advance to ELS. Mrs. Pyke asked if the loan can be paid off with a credit card. Mr. Rothstein stated that he would look into this, but he believes ELS will accept offline payments only by cash or money order. Mrs. Pyke asked what type of employee information would be available to ELS. Mr. Rothstein stated that ELS would need only birthdate, salary, and employment status. Mrs. Pyke thanked the Ad Hoc Committee for their work.

The Chair recognized Mr. Brillhart, who asked what the cost and payback term would be for a \$2,000 loan. Mr. Rothstein stated that the term would be 12 months. The employee can pay it off earlier, and can request a longer term once the loan is made. The payback amount is the loan amount plus 24% simple interest over 12 months. There are no other fees. Mr. Brillhart asked for the turnaround time on a loan application. Mr. Rothstein stated the approval time is less than 5 minutes. The money is generally deposited into the employee's account within 24 hours.

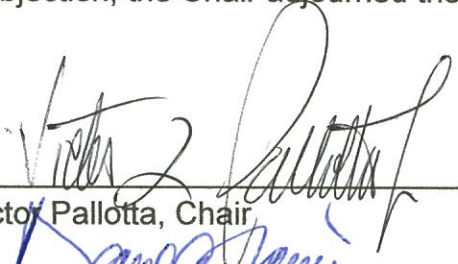
The Chair recognized the Law Director, who stated that the City is satisfied with the terms of the contract with NHS.

There was no opponent testimony. There was no public comment.

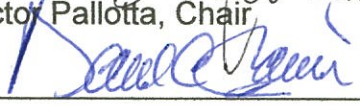
Motion by Mr. Weinhardt to release Temp. Res. B-22 with a favorable recommendation. Seconded by Mr. DeRemer. Motion adopted by acclamation.

Adjournment

Without objection, the Chair adjourned the meeting at 7:09 p.m.



Victor Pallotta, Chair



Paul A. Janis, Clerk of Council