March 12, 2019

Committee on Ways and Means

Testimony of strong OPPOSITION to SB537 SD1

From: Karen Moriwaki, Manager
Hawaii Check Cashing

I have been a Manager at Hawaii Check Cashing for over 30 years.
We have developed great relationships with our customers. And since we have started doing payday loans we have not had any complaints. Most of the time our customers thank us for helping them.

SB537 SD1 would shut down store front payday lenders. Eliminating the industry will not solve the problem of people in financial distress needing quick access to money. The payday loan industry is regulated and without this option, consumers will turn to unregulated (and untaxed) sources such as internet lenders that have even higher fees.
It is already happening in those states that no longer have store front payday stores.

Illegal online/internet lenders are the predatory lenders and the states that no longer have payday loan stores already have double the complaints against the unregulated internet lenders.

Several states have already passed bills like this and the payday loan industry has been effectively shut down. In actuality, the 15 states that have a similar law, no longer have any payday loan stores.

Alex Horowitz, senior officer with Pew Charitable Trusts has said new laws like this will drive payday lenders out of business entirely.

Banks and Credit Unions usually don't want to deal with small dollar installment based loan transactions for the simple fact that it is not

profitable. Consumers/borrowers do desperate things where payday loans are not available, bank accounts get overdrafted and they turn to the easy unregulated, untaxed internet/online lenders.
Truthfully, I have spoken with many of our customers about this and I admit some of them are a little panicked to think that they will not have us to turn to and that they will have to try to do something else that they may or may not qualify for.

I feel it would be difficult for the local store front payday loan companies to pay the licensing fees that DFI is proposing.

I strongly oppose SB537 SD1.

Sincerely,
Karen Moriwaki
Manager
Hawaii Check Cashing

Parents And Children Together
BUILDING THE RELATIONSHIPS THAT MATTER MOST

TO: Chair Ohno, Vice Chair Kobayashi, and Members of the House Committee on Intrastate Commerce

FROM: Ryan Kusumoto, President & CEO of Parents And Children Together (PACT)

DATE/LOCATION: March 14, 2019; 8:30 a.m., Conference Room 430

RE: TESTIMONY IN STRONG SUPPORT OF SB 537 SD 2– RELATING TO CONSUMER PROTECTION

We ask you to support SB 537 SD 2 which will help to protect our island residents by strengthening payday lending regulations and closing the current loophole in our law that further perpetuates cycles of poverty in our State. This bill:

- Transitions from lump sum deferred deposit transactions to installment-based small dollar loan transactions.
- Specifies various consumer protection requirements for small dollar loans.
- Requires licensure for small dollar lenders that offer small dollar loans to consumers.
- Specifies licensing requirements for small dollar lenders.
- Authorizes the division of financial institutions to appoint 2.0 FTE examiner positions, funded via the compliance resolution fund, to carry out the purposes of the small dollar installment loan program.

This bill will protect consumers from the debt traps of unaffordable loans. Hawaii's high cost of living means that many of Hawaii's working families are struggling to make ends meet. Oftentimes families are juggling housing costs, utilities, bills and daily expenses and may be faced with making the tough decision of forgoing one expense to pay another. When faced with these difficult decisions, these individuals and families seek out payday loans as options and face repayment options that set them up for failure and put them further in debt.

Poverty across the globe has reached epidemic proportions. In Hawaii, it is no different. As one of Hawaii's social service providers, serving over 15,000 clients annually, we have a vested interested in helping Hawaii's residents to break the cycles of poverty. Over 90% of the clients PACT serves are living in deep poverty and often fall victim to the traps of payday lending.

Hawaii’s payday loan rates average 459% APR - 100 times more than average mortage rates – and are some of the highest rates in the country. Our State’s payday lending rates have been growing faster than the national average and the percentage of Native Hawaiian and Pacific Islanders taking out payday loans has tripled since 2011- from 0.8% to 2.4%- a statistic that shows how our high cost of living disproportionately affects some minority households.

Poverty falls along a continuum of that includes not only personal behaviors but also how the absence of social capitol, political and economic structures, and human exploitation all contribute to people being trapped in poverty. High-cost, short-term credit options – typically the only options available to those living in poverty – are exploiting our residents and lead to a cycle of spiraling debt and only add to the promotion of chronic income instability and living in perpetual poverty. So long as the payday lending industry in Hawaii goes unregulated and continues to be allowed to exploit people in poverty *because* they are in poverty, we have a lot more work to do.

Founded in 1968, Parents And Children Together (PACT) is one of Hawaii’s not-for-profit organizations providing a wide array of innovative and educational social services to families in need. Assisting more than 15,000 people across the state annually, PACT helps families identify, address and successfully resolve challenges through its 18 programs. Among its services are: early education programs, domestic violence prevention and intervention programs, child abuse prevention and intervention programs, childhood sexual abuse supportive group services, child and adolescent behavioral health programs, sex trafficking intervention, and poverty prevention and community building programs.

Thank you for the opportunity to testify in **support of SB 537 SD 2,** please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.

To: Representative Takashi Ohno, Chair
Representative Dale Kobayashi, Vice Chair
The Committee on Intrastate Commerce

From: R. Craig Schafer, President / Money Service Centers of Hawaii, Inc.

March 14, 2019
In opposition to SB537 SD2

Money Service Centers of Hawaii, Inc. is a locally owned and operated money service business (MSB) headquartered in Kapaa, Kauai. We operate fee-based money service centers throughout the State under the trade name PayDayHawaii. Over the past 19 years we have provided check cashing services to over 44,000 Hawaii residents. We provide safeguards not required by law to encourage the responsible use of our short-term credit product. We offer free financial education on our website and mobile devices, 24/7, to help Hawaii's working families in times of financial stress.

SB537 SD2 would replace deferred deposit transactions authorized under the check cashing law, HRS 480F, with an unproven installment loan scheme that would be expensive to administer and enforce. This bill isn't consistent with the State Auditor's report from 2005* which found no evidence of harm to Hawaii consumers from local check cashers. At that time the Auditor made recommendations, including registration of short-term lenders, which the Legislature failed to act upon.

SD537 SD2 requires licensing. We note that the Hawaii Regulatory Reform Act requires any new regulatory measure that would subject unregulated professions and vocations to licensing or other regulatory controls be referred to the State Auditor by concurrent resolution:

- §**26H-6 New regulatory measures.** New regulatory measures being considered for enactment that, if enacted, would subject unregulated professions and vocations to licensing or other regulatory controls shall be referred to the auditor for analysis. Referral shall be by concurrent resolution that identifies a specific legislative bill to be analyzed. The analysis required by this section shall set forth the probable effects of the proposed regulatory measure and assess whether its enactment is consistent with the policies set forth in section 26H-2. The analysis also shall assess alternative forms of regulation. The auditor shall submit each report of analysis to the legislature.

Owners, managers and staff at Hawaii check cashing stores must comply with more than ten different financial services laws and receive on-going compliance training like other professions. Before being allow to work as a teller new employees must sign for, read and satisfactorily pass a test on our 120 page compliance manual. Each supervisory level requires more extensive training. We must show proof of training during Title 31 and CFPB field exams.

We note that the licensing scheme proposed in SD537 SD2 has funding problems. It appropriates funds of over $220,000 to hire two positions to set up the program and to appropriately supervise, regulate, and examine licensees. In addition, the program would need to generate revenues sufficient to cover the additional staff members. The 11 storefront companies operating in Hawaii will only generate a little over $47,000 in licensing fees. This leaves $173,000 to be funded by an unknown number of out-of-state lenders.

In addition, license fees as proposed in SB537 SD2 favor out-of-state internet lenders over local lenders with multiple locations by charging them higher licensing fees. While many out-of-state internet lenders currently operate in Hawaii legally, many ignore Hawaii law and account for all but one complaint to the DCCA. We have identified 30 internet lenders operating in Hawaii who are not registered to pay GET taxes. We find it is difficult to believe those lenders who currently ignore their tax obligation would readily apply for a license.

The 2005 Sunrise Analysis* is over 15 years old. The legislature should authorize a follow-up Audit so that we have more up-to-date data for Hawaii, including the increased impact of out-of-state internet lenders.

* *Sunrise Analysis: Check Cashing and Deferred Deposit Agreements (Payday Loans). A Report to the Governor and the Legislature of the State of Hawaii, Report No. 05-11, December 2005.*

Sincerely, R. Craig Schafer, President, Money Service Centers of Hawaii, Inc.

SB-537-SD-2
Submitted on: 3/12/2019 1:20:19 PM
Testimony for IAC on 3/14/2019 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Annette Reyes	Individual	Support	No

Comments:

Aloha,

My name is Annette Reyes and I am writing in support of this bill. I see the hardships that people end up in when they get stuck in payday loans. Although payday loans fulfills a need (because big banks won't do small loans), people get stuck in a revolving door of re-loaning, sometimes spending over a hundred dollars a month just to keep their heads above water. My only concern and advice is to limit the small dollar loan to not just one loan per person but also one loan per bank account. For example Mr. Smith can make a loan using checking account "X" but Mrs. Smith cannot if she will use the same account that Mr. Smith is using. I see too many married couples get stuck because both parties have loans and the fees are dragging them down. Since the maximum loan amount will increase, there will be no need for both parties(on the same account) to make loans. Just one.

Thank you for the opportunity for me to voice my concern.

Sincerely,

Annette Reyes

LATE

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
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DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Intrastate Commerce
Thursday, March 14, 2019
8:30 a.m.
State Capitol, Conference Room 430

On the following measure:
S.B. 537, S.D. 2, RELATING TO CONSUMER PROTECTION

Chair Ohno and Members of the Committee,

My name is Iris Ikeda, and I am the Commissioner of Financial Institutions for the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). The Department supports this bill and recommends amendments.

The purpose of this bill is to encourage transparency and increase consumer protection in the payday lending industry by: (1) transitioning from lump sum deferred deposit transactions to installment-based small dollar loan transactions; (2) specifying various consumer protection requirements for small dollar loans; (3) beginning January 1, 2020, requiring licensure for small dollar lenders that offer small dollar loans to consumers; (4) specifying licensing requirements for small dollar lenders; and (5) authorizing the DFI to establish and hire two full-time equivalent permanent examiners to carry out the purposes of the small dollar installment loan program, funded via an increase to the ceiling of the Compliance Resolution Fund (CRF). The bill would enact a new chapter of the Hawaii Revised Statutes, entitled “Small Dollar Installment Loans”, for the DFI to administer.

The Department suggests the following amendments to provide clarity and efficiency in implementing the small dollar lending licensure program:

- Page 9, line 8: Replace “National Credit Union Share Insurance Fund” with “National Credit Union Administration” to maintain consistency with Hawaii Revised Statutes (HRS) chapter 412 (Code of Financial Institutions), article 10 (Credit Unions);
- Page 30, lines 11-15: Move this language to a new section entitled “Unique Identifier” to require all small dollar lenders to use a unique identifier, not just internet small dollar lenders;
- Page 31, lines 8-9: Delete “savings and loan or building and loan association”, as those organizations are no longer recognized as financial institutions;
- Page 31, line 9: Add “financial service loan company”, which is recognized as a financial institution;
- Page 32, line 14: Add “as defined in Hawaii Revised Statutes section 412:1-109” after “A financial institution”, to maintain consistency with HRS chapter 412 (Code of Financial Institutions);
- Page 37, line 6: Add “state or” before “federal” to allow an applicant who is guilty of a felony in another state to be disqualified;
- Page 43, lines 1-2: Add a non-refundable fee of $100 for the change of physical location or mailing address for each branch office or principal place of business;
- Page 55, lines 11-18: Delete subsection (f), as the DFI does not pre-qualify applicants prior to application;
- Page 66, lines 8-11: Delete the provision requiring the licensee to waive the privilege of subpoena or discovery, as the confidentiality of the documents rests with the DFI;

- Page 67, line 2: Replace “mortgage servicers” with “small dollar lender”, as the former term is incorrect;
- Amend the definition of “collection agency” in HRS section 443B-1 (Definitions) to clarify that small dollar lenders are not subject to HRS chapter 443B (Collection Agencies):
    - "Collection agency" does not include licensed attorneys at law acting within the scope of their profession, licensed real estate brokers, and salespersons residing in this State when engaged in the regular practice of their profession, nor banks, trust companies, building and loan associations, savings and loan associations, financial services loan companies, credit unions, companies doing an escrow business, individuals regularly employed on a regular wage or salary in the capacity of credit persons or in other similar capacity for a single employer who is not a collection agency, nor any public officer or any person acting under an order of court[~~.~~], nor small dollar lenders provided in chapter _____ (section 2 of the bill).

In addition, the Department notes that this bill may treat in-state small dollar lenders differently than internet small dollar lenders by requiring in-state small dollar lenders to pay a higher licensing fee based on the number of branches in the State. In contrast, internet lenders do not have in-state branches.

Finally, S.D. 2 changes the appropriation out of the CRF from $220,941, as proposed in the S.D. 1, to an unspecified amount. However, the Department maintains that two permanent examiner positions will be necessary to carry out the purposes of this program. Each DFI program is staffed with examiners who are trained to review the program parameters and to respond to questions from the industry and consumers. For this new program, one examiner position will be required to establish the program for the industry, and one examiner position will be required to conduct examinations and investigations. As such, the Department requests that section 11 of the bill be amended to appropriate $220,941 from the CRF to establish the two permanent examiner positions, including employee benefits. This timing will allow the DFI to set up the program in fiscal year 2020 and open the application process on January 1, 2020. During this period, the DFI will reach out to the industry and provide education about Hawaii's laws. Meanwhile, the companies in the application process can continue to operate under the new laws while the DFI reviews the application.

Thank you for the opportunity to testify on this bill.

LATE

To: Representative Takashi Ohno, Chair

Representative Dale Kobayashi, Vice Chair

The Committee on Intrastate Commerce

From: Gary Hughes, Partner, Colortyme Rent to Own and Payday Loans

March 12, 2019

In opposition to SB537_SD2

Reading Section 1 of this bill makes this seem like a utopian plan; however in my opinion it simply will not work:

IF THIS BILL WERE TO BE ENACTED NO ONE WILL BE IN BUSINESS MAKING EMERGENCY LOANS TO THOSE IN NEED IN HAWAII.

I have attached a copy of a Cato Institute research paper regarding Payday Lending Regulations. One thing the research points out is the cost of making short term unsecured loans is approximately $13.33 per $100. This bill would only allow $3.00 per hundred, significantly less than the cost of doing business. This bill, if passed, would take away the ability of hundreds or even thousands of Hawaii citizens from accessing the cash they need for emergencies.

The bill seems to be patterned after a bill recently enacted in Ohio. That bill goes into effect soon and already 90% of Businesses offering short term Loans have announced that they are closing. I believe by the end of the year, or when their leases have expired, they all will be gone. It would seem prudent to wait and see if the Ohio's "unproven idea" will actually work before a similar plan is adopted in Hawaii.

I have also attached several letters from our customers expressing how important they feel access to Emergency cash is for them and their families. As the Senate bill points out there is a real need for Hawaii consumers to have access to emergency cash. SB537 would take that away.

DATE: 3/17/18

COLORTYME PAYDAY LOAN #23

Q: **HOW DOES THE PAYDAY LOAN HELP YOU AS A CUSTOMER?**

THE EXTRA NEEDED PAYDAY LOAN IS A NEEDED ADDITION TO HELP WITH FOOD COST BEING THAT MY EARNED INCOME IS FOR BILLS TO INCLUDE RENT, UTILITIES, INSURANCE, CAR PAYMENTS WHICH IS JUST THE BASIC NESSASARY EVERYDAY BILLS TO MAKE A LIVING IN HAWAII. I UTILIZE THIS ~~SORRE~~ SOURCE TO HELP ME MAKE ENDS MEET. WHEN AT TIMES MY INCOME MAY FALL SHORT & THERE IS NO OTHER RESOURCE TO RELY ON.

PRINT NAME: Regina Dayton

SIGNATURE: Regina Dayton

DATE: 3/16/18.

COLORTYME PAYDAY LOAN #23

Q: **HOW DOES THE PAYDAY LOAN HELP YOU AS A CUSTOMER?**

It helped me with an emergency unforeseen. Bills that suddenly happened. And is convient with paying.

PRINT NAME: Dana Kaheaku

SIGNATURE: [signature]

DATE: 3/8/2018

COLORTYME PAYDAY LOAN #23

Q: <u>HOW DOES THE PAYDAY LOAN HELP YOU AS A CUSTOMER?</u>

IT helped me pay ~~[illegible]~~ my bills between paychecks since the cost of living in Hawaii is so high

PRINT NAME: Patricia Arike

SIGNATURE: [signature]

TO WHOM IT MAY CONCERN, 03.17.15

USED LOAN FOR PERSONAL FUNERAL REASON QUICKER THAN GOING THRU BANKS. MOST HELPFULL IN TIME OF NEED. BANKS DON'T GIVE ANYTHING LESS THAN $1500.00.

TY. E.BIRD

2/1/18

I would like to thank Color Tyme Waipahu for having the loan services open. It helps alot to be able to borrow as times in Hawaii is hard. Thank you for your help

you guys help me make ends meet for my family and I.

Mahalo so much.

Leilani Castillo

[signature]

03/07/18

Jeresha helped me with a loan that helped me Get by till pay day. Definitely going to come back w/ referr others to come here. Quick service & Awesome customer service.

Bridget paaoao salonicman

Wednesday 03/07/2018.

To: whom it may concern.

This letter is to inform you that color tyme pay / loan facility has been really convienate for me. I've been a regular customer from 2016. The worker ~~aka~~ ec are always willing to help and is awsome with customer service. I feel they are very honest and trust worthy. These are the reason why I come back when I need to get a loan. colortyme is the place I would recomend my friends or family to come too.

Thank you
your customer
Kulkar, Tiareapetahi
kulkar, Tiareapetahi

Gmail **Waipahu Colortyme Loan Dept Store 21**

Mahalo

1 message

Fri, Mar 9, 2018 at 2:02 PM

Loan Department Manager,

I just want to say a big mahalo to your loan department. Recently, my dog, Pua (14 years old), became very ill, we took her to the vet and were told if she did not have emergency surgery that night, she would not make it. They quoted the price as being between $2,100 - 3,000.00 for the surgery and accommodations. We were short, but had to act fast as the pet hospital expects at least half of the money to be paid before the surgery. We sought assistance at your facility to help us reach the necessary amount, paid the hospital and our beautiful dog is alive and doing well after her surgery. (See attached pictures taken at the pet hospital).

Again, mahalo nui loa for your assistance with a loan, it helped save my dog's life.

Your staff is always friendly and helpful.

Sincerely,

Carol Evans

Pua.pdf
225K

DATE: 3 9 2018

COLORTYME PAYDAY LOAN #23

Q: **HOW DOES THE PAYDAY LOAN HELP YOU AS A CUSTOMER?**

When my paycheck is small and I need extra money. It helps me pay for my bills and things for my children.

PRINT NAME: Heidi-Yim Iverson

SIGNATURE: Heidi-Y I

Aloha,

To whom it may concern,

I am writing to ask you to consider your decision about the Payday Loans department located at ColorTyme Rent-To-Own Wahiawa (45 N Kamehameha Hwy, Wahiawa, HI 96786). I am asking on behalf of my family, that you please do not close out the Payday loans department.

Living in Hawaii is very expensive. Me, and my husband used Payday loans numerous times and they've ALWAYS done a fantastic job. Just the other day I took out a small loan to pay the bills because my paycheck was short. The application process is free, quick, and easy, and funds can be receive within the same day versus going to the bank, and wait for approval for a period of one to two weeks.

Payday loans support families like mines that are living paycheck after paycheck, and during times of extreme misfortune. Payday loans help families keep food on the table, and pay the bills. So please keep Payday loan open, and thank you for everything you do. God Bless!

Mahalo,

Efa Ramos

Efa Ramos

3/8/18

I would Really Really like to thank Colortyme Waipahu for having the loan Services. It helps w/ all my needs & troubles! You being there is a great help to me and my family & you all are friendly and helpful! :) it helps me w/ my bills (overdue) and I know that If I went to a bank, I would not be helped as I have been helped here!

"w/ great appreciation"

3/8/18

3/9/18

To whom it may concern,

I really appreciate the opportunity to be able to get help when my family & I need it.

Its hard to survive in Hawaii as it is. Living paycheck to paycheck with a family is difficult! But with colortyme, it feels good knowing I can get help when I need it.

It would be extremely difficult to go to a bank and be pressured into applying for a higher loan just to cover a couple of bills. Going to a bank would put myself & my family in a greater debt & struggle.

Sincerely

Joylene Brioso. Colortyme loan Customer for 8 years

Joylene Brioso

DATE: March 17, 2018

COLORTYME PAYDAY LOAN #23

Q: HOW DOES THE PAYDAY LOAN HELP YOU AS A CUSTOMER?

Payday loan helps me pay a lot of my monthly bills At some locations I can't even get loans because of my credit score but Payday loan helped me out so much. Mahalo!

PRINT NAME: Reslyn Vanderford Dayton

SIGNATURE: R. Dayton

- Reslyn Dayton.

3/9/18

Payday loan has been such a Great Help in providing me on my short comings on my financial it's specifically avoided water and or Electric shut off. I've been turned away from Banks due to my past history on credit. Payday loan doesn't check credit and has a market for people like me.

Heidi F. Semli

FEBRUARY 19, 2019 1:45PM

The CFPB and Payday Lending Regulations

By PETER VAN DOREN

SHARE

The Consumer Financial Protection Bureau (CFPB) recently proposed the elimination of new payday lending rules created under the Obama Administration and imposed in 2017. Payday lenders are frequently vilified—a recent *New York Times* editorial declared that the CFPB "betrayed financially vulnerable Americans last week by proposing to gut rules…that shield borrowers from predatory loans"—but recent evidence indicates that the predatory costs of payday loans may be nonexistent and the benefits are real and measurable. Thus, the original regulatory restrictions were unnecessary.

Most Americans take access to credit for granted, but many lower-income Americans have difficulty meeting the requirements to get a credit card or take out collateralized loans. With minimal approval requirements that are easier to meet—often just a bank account statement, a pay stub, and a photo ID—payday lenders offer short-term, uncollateralized loans. These loans are advances against a future paycheck, typically about $100-$500 per loan, and customers usually owe a fee of around $15 per $100 borrowed for two weeks.

Consumer advocates oppose these terms for two reasons. First, they argue the terms are onerous. They convert the loan terms into an annual percentage rate (APR) that would be disclosed by a conventional credit-card issuer, and the result is 391 percent. This number shocks the sensibilities of the average person and easily leads to the conclusion that the payday lender is ripping off the consumer.

The APR is misleading because the fixed costs of lending as well as the default costs must be defrayed over much smaller sums than conventional loans. According to research reviewed by Victor Stango in the fall 2012 issue of *Regulation*, the fixed and marginal costs of the average $300 loan are $25. Thus, with no risk of default, the break-even per-loan charge is $25. But 5 percent of customers default increasing the break-even per-loan charge to $40, or $13.33 per $100 borrowed.

In addition, the revenues of payday lenders do not seem to lead to excess profits. Payday lending appears to be very competitive. There are more physical payday lenders (24,000) than there are banks and credit unions (16,000). And according to research cited in Stango's article, payday lenders do not earn "excess returns" in the stock market.

The second objection consumer advocates have against payday lenders is the inability of some consumers to pay back their loans after the initial two weeks. If borrowers rollover their loans, the fees grow larger quickly.

Two papers, which I reviewed in the spring 2017 issue of *Regulation*, utilize data from the military to investigate the effects of payday loans and challenge this objection. In the mid-2000s active duty military members were three times more likely than civilians to take out a payday loan, and as many as 20 percent of active duty military members had used a payday loan in the past year. The belief that payday loans were predatory and that they adversely affected young soldiers' performance led Congress to cap the APR on loans for military servicemembers and their families at 36 percent in the Military Lending Act of 2007 (MLA), effectively banning payday lending to the military nationwide.

The authors of both studies exploit the fact that military members are randomly assigned to bases across the nation (in states that ban payday loans and in states that do not). Thus, using the military's rich administrative data, the studies are able to analyze differences between individuals in states with and without payday lending bans, before and after the MLA.

In the first paper, Susan Payne Carter and William Skimmyhorn of the United States Military Academy examine labor market and credit outcomes for military members. Specifically, Carter and Skimmyhorn analyze involuntary separation from the military (which may reflect financial mismanagement or stress that affects service members' job performance) and the denial or revocation of security clearances (which, because the military considers high levels of debt as a threat to individuals with clearances, provides another indicator of negative payday loan effects).

The authors find that access to payday loans did not increase involuntary separation or denial of clearances because of bad credit.

In the second paper, Mary Zaki investigates how access to payday loans allowed service members to smooth consumption over their pay cycle by using data on sales at on-base stores to analyze consumption behavior. Exploiting the same differences between state laws and before and after enactment of the MLA, she finds that after the ban sales on paydays were 21.74 percent higher than sales on non-paydays, but sales on bases before the ban and near payday lenders were only 20.14 percent higher—a 1.6 percent smaller gap between payday and non-payday spending. The variance in spending across the pay cycle was lower (i.e., consumption was smoother) when soldiers had access to payday lending services.

Together, these results undermine consumer advocates' claims of the negative impacts of payday loans and demonstrate the consumption smoothing benefits. Carter and Skimmyhorn found no negative effects (as measured by involuntary separation from the military or revocation of security clearances) for members of the military even though they utilize payday lending more than civilians. And Zaki illustrates that payday loans, like all loans, allow consumers to smooth consumption.

Though often portrayed as predatory, payday lenders provide many Americans, who often don't have access to traditional bank services, with the opportunity to smooth consumption or get cash quickly when emergencies arise. The apparently "high" fees are a natural outcome of lending small amounts to riskier borrowers. Any restrictions that limit these fees or impose increased costs on lenders may eliminate access to any loans, leaving former borrowers with less-desirable, higher-cost options.

LATE

To: Representative Takashi Ohno, Chair
Representative Dale Kobayashi, Vice Chair
The Committee on Intrastate Commerce

From: Pattiann Lacio, Branch Manager, PayDayHawaii Stadium Mall

March 14, 2019
In opposition to SB537 SD2

My name is Pattiann Lacio. I have over 19 years' experience with short-term credit under HRS 480F. I became the Manager of Stadium Mall store under Mr. Cash brand in 2001 and the Branch Manager under the PayDayHawaii brand since 2007. No one in Hawaii has more experience working with Hawaii's short-term credit consumers than I do.

SB537 SD2 would replace deferred deposit transactions authorized under the check cashing law with an unproven installment loan scheme. This bill is bad for consumers because it allows multiple loans by removing the one transaction per consumer provision. The bill encourages long term indebtedness and will increase the fees charged to the vast majority of consumers who currently use deferred deposits responsibly.

Under current law a consumer may only have one deferred transaction at a time and may not pay off a deferred deposits with the proceeds of another deferred deposit. So a consumer is only charged a single 15% fee on a single transaction even if it takes them months to pay it off. So no consumer can ever owe more than the original principle and fee of up to $600.

However, SB537 SD2 says, "A lender shall not lend an amount greater than $1,000 nor shall the amount financed exceed $1,000 by any one lender at any time to a consumer." So a consumer can get as many short-term loans as they wish. They can borrow over and over again even while they are still paying off their original transaction.

Many consumers who live paycheck to paycheck habitually spend what they make each pay period. They are not in the habit of saving. So imagine what will happen when they find themselves short of cash and have access to 11 storefront lenders and 35 or more internet lenders operating in Hawaii. They can easily pile up thousands of dollars in principle, interest and monthly fees.

The average credit card debt in the United States is about $5000 with 18% interest and a $125 annual fee. Under SB537 SD2, a consumer can easily pile up $5000 in installment debit with 36% interest and $125 in <u>monthly</u> fees! The two most important contributors to bankruptcy filings are credit card debt medical bills. So think about how this bill will contribute to Hawaii's homeless problem! This is not what I want for my customers.

I appreciate the bill's intent to provide affordable installment credit, but there are better alternatives such as California's Pilot Program for Increased Access to Responsible Small Dollar Loans. The California law not only helps consumers build credit but provides financial education to help improve spending and savings habits.

I agree that HRS 480F can be improved by adding protections such as payment plans and access to financial education. But the wrong approach is to remove a protection that already exists under current law. Let's not make the mistake of ignoring the one transaction per customer principal that protects consumers and makes HRS 480F better than the law in most other states.

Sincerely, Pattiann Lacio

LATE

SB-537-SD-2
Submitted on: 3/14/2019 5:00:41 AM
Testimony for IAC on 3/14/2019 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dan Barry	Trade Association	Oppose	No

Comments:

March 14, 2019

House Committee on Intrastate Commerce

Rep. Takashi Ohno, Chair

Rep. Dale T. Kobayashi, Vice Chair

Re: SB 537 SD2 - Opposition to Restrictions on Small-Dollar Lending

Dear Chair Ohno, Vice Chair Kobayashi, and Members of the House Committee on Intrastate Commerce:

The Online Lenders Alliance ("OLA") would like to submit this comment letter to raise our concerns with the current version of Hawaii Senate Bill 537. OLA is the first trade association for lending, technology and innovation, representing the growing industry of companies offering loans online and companies which provide services to online lenders. OLA members abide by a rigorous set of Best Practices to ensure their customers are fully informed and treated fairly. OLA represents some of the most innovative financial technology companies committed to the highest standards of conduct, offering online consumer loan products and services with transparent terms that are fully compliant with all federal and state laws.

OLA sets industry standards for our members, ensuring that consumers have access to the most responsible, innovative products in the market. We also monitor and police the web for violations of our Best Practices to members and non-members alike. OLA also serves as a resource to federal and state policymakers on issues related to access to credit. Beyond our role in serving our members, OLA provides resources including a consumer hotline, which is a portal to report fraud, and consumer tips.

We are writing to express our strong opposition to SB 537. After reviewing SB 537, OLA is concerned that this proposed legislation would negatively affect consumers in Hawaii by removing credit options from the state. The bill represents a complete restructuring of the small dollar loan market in Hawaii. As such, it is likely to fundamentally alter the market in ways that are potentially detrimental to consumers, and particularly non-prime consumers, for whom alternatives will be expensive or harmful.

For this reason, OLA believes the legislature must consider structural changes in a deliberate fashion, only after careful and comprehensive study, to understand the potential impact. OLA has been supporting HB332 HD1, which would implement various consumer protections for consumers relating to check cashing. OLA supports the sunrise analysis of payday lender and deferred deposit regulation called for in HB332. We believe the analysis can provide a sound factual foundation for ensuring Hawaii consumers enjoy the protection they deserve and have access to credit options they need. Advances in the online, financial technology (or FinTech) space have opened opportunities for creditworthy non-prime consumers who, until recently, have been unfairly shut out.

Over the last 10 years or more, there has been a consistent demand from consumers for short-term, small-dollar loans. As the legislature noted in this bill, in May of 2018, the Federal Reserve System issued its *Report on the Economic Well-Being of U.S. Households in 2017* noted that four in 10 of adults in the U.S. would not be able to cover the cost of an unexpected expense of $400 without selling something or borrowing money to cover the expense. Unfortunately, traditional financial institutions do not commonly offer $300 loans to consumers with poor credit history and no savings. Therefore, these consumers are left with few options.

For example, a consumer in Hawaii who might have an unexpected $300 car repair would have few options, which might include (1) enter into a deferred deposit transaction (cost of approximately $52 under HI Stat. §480F-1 *et seq.*), (2) bounce a few checks that would incur overdraft fees (cost of approximately $60 for two returned checks), (3) obtain a cash advance on a credit card (if available), or (4) obtain a loan from a family member or non-profit organization. Based on these real-world choices, many consumers would choose a $52 fee related to a deferred deposit transaction instead of a $60 bank overdraft fee and the associated embarrassment with the payee. Most consumers prefer to avoid asking a family member or a charity for a loan. The reality is that most consumers do not have the option of going to their local bank to take out a $300 loan. In addition, consumers in Hawaii are well aware of the least expensive alternatives that are available to meet their cash needs.

SB 537 would impose a 36% annual percentage rate (APR) on small dollar, short term consumer loans. OLA is very concerned that such a cap – essentially just 3% per month – will effectively eliminate access to credit for Hawaii's nonprime consumers. Most economists agree that using a 36% APR for these short-term, small-dollar consumer loans really does not make economic sense, especially since many of these loans have terms of only 4 to 6 weeks. An annual rate on a 4-week loan has little to no relevance for consumers in comparing actual costs of loans with a longer term.[1] Many proponents of a 36% APR cap hold that higher charges are predatory, even though these fees are not deceptive and the payment terms are clearly understood by consumers. In contrast, even sophisticated borrowers might not be able to calculate the actual cost of credit for a 4-week, $300 loan based on a 36% APR.

It is important to note that restrictive rate caps, such as SB 537's 36% APR limit, pose a serious impediment for nonprime borrowers seeking credit. The costs and risks of providing small-dollar, short-term credit to nonprime borrowers are not warranted under a 3% per month rate cap regime. To illustrate, a decade ago the Federal Deposit Insurance Corporation (FDIC) oversaw a Small Dollar Loan Pilot Program that sought to keep rates below 36% APR. The program ran its course, but lenders have not continued to make these loan products generally available to nonprime borrowers because they were simply not profitable for the financial institutions.

It is also important to understand the cost associated with providing credit to nonprime consumers. Based on studies, short-term consumer lenders must make at least $12-$15 per $100 of principal loaned just to cover its basic costs of doing business, even before lenders make any profit. To put this into perspective, a 36% APR cap would equal $1.38 per $100 for a 2-week loan. The industry opponents know that lenders cannot offer a loan product to consumers using a 36% APR, and it is our belief that their true goal is not to meet the consumers' financial needs but to simply put these lenders out of business.

A good example of what it takes to serve this market is a new loan product offered by U.S. Bank. In 2018, federal banking regulators approved a small-dollar, short-term loan offered by U.S. Bank. In order for the loan program to be sustainable, U.S. Bank is charging interest rates between 71% and 88% APR, more than double the 36% APR proposed by SB 537. Moreover, U.S. Bank is only able to offer the loans at that rate because it enjoys pricing advantages and risk mitigation generally not available to non-bank lenders, including lower cost of capital; no marketing costs (product is only offered to pre-existing customers); and fully automated underwriting (U.S. Bank would reportedly lose money if a loan officer spent any time on the loan). In sum, U.S. Bank's small-dollar loan offering demonstrates that even under the most favorable circumstances, lenders would be unable to provide small-dollar, short-term credit access to Hawaii's nonprime population. Rather than considering these loans "predatory," we expect that U.S. Bank will find its customers clearly understand the fees associated with these loans and are simply making an economic decision that the cost of these loans is cheaper than any alternative solution that is actually available to them. That has been the experience that has driven strong growth in the online lending sector.

1. have been several government agencies that have honestly considered the economics associated with providing small-dollar loans to consumers before passing similar legislation. In the United Kingdom, the Financial Conduct Authority (UK's chief regulator of payday loans) conducted an in-depth review of payday lending operations, and they concluded that a reasonable fee would be 0.8% per day (i.e., 24% per month) of the amount borrowed, plus an additional default charge, with the total amount charged not to exceed 100% of the amount originally borrowed. The United States has not engaged in any similar unbiased research in an attempt to address this type of consumer lending, which has an ever-growing consumer demand for the product.

OLA is also concerned about SB 537's arbitrary 5% gross monthly income limit for borrowers. The goal of all lenders is for their customers to repay their loans by minimizing defaults. Lenders review a borrower's payment-to-income ratio along with a variety of other measures that help manage risk and predict the likelihood of repayment, particularly for non-prime applicants. Living costs and other debt payments, for example, will bear heavily on a borrower's ability to repay. Limiting access to loans that meet the 5% GMI ratio without any consideration of a borrower's expenses and debt expenses is fundamentally flawed and may be more harmful to consumers than helpful.

A 2015 study by Navigant Economics, LLC examined more than 900,000 small-dollar installment loans to determine the effects of payment-to-income restrictions. It demonstrated that this ratio has little or no bearing on whether loans are paid off and that imposing this type of restriction ***could prohibit 86% of creditworthy borrowers from accessing needed credit.***

We encourage the legislature to closely analyze the possible effects of this legislation before moving forward with SB 537 or any similar legislation. Due to the potential consumer harm and other unintended consequences of this legislation, we encourage the legislature to consult with unbiased research sources to fully understand the affects to the consumer lending industry before passing restrictions that could possibly constrict the consumer lending options for hardworking Hawaiians. OLA is committed to working with you as your committee and the legislature look to ensure Hawaiians have access to safe and reliable credit opportunities.

We appreciate the opportunity to provide input on this legislation. If you have questions or need additional information, please feel free to contact me at mjackson@oladc.org.

Very Truly Yours,

Mary Jackson
President and CEO

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[1] For instance, the Financial Conduct Authority (UK's regulator of payday loans), in establishing rules and guidance for payday lending in the UK, concluded that APRs on short-term loans were not useful: "We decided not to specify our proposed cap in terms of APR (the annual percentage rate of charge) as, while it is useful for comparing the basic cost of loans of the same size and duration that are paid back on time, it is not easy to compare loans of different size and length – for example, a shorter loan that costs the same as a longer one would have a much larger APR." (*Proposals for a Price Cap on High-Cost Short-Term Credit*, Consultation Paper CP14/10, Financial Conduct Authority (July 2014)).

Pono Hawaiʻi Initiative

LATE

Wednesday, March 13, 2019

Relating to Consumer Protection
Testifying in Support

Aloha Committee Chair and members,

I am writing in **strong support of SB 537 SD2** Relating to Consumer Protection. This measure establishes oversight and a much needed regulatory structure to the payday lending industry. These consumer protections will help to ensure that our Hawaii residents have adequate safeguards against what can be described as a predatory industry.

This measure creates transparency and sets limits on the loan amounts as well as the interest that can be charged. This is crucial so that a borrower can actually take out a loan they will be able to pay back in the future. Many families rely on the payday lending industry as a last resort and do not realize the short-term interest rates become exorbitant annual percentage rates. These excessive and disproportionate fees are detrimental to families and individuals. Currently US service members and their dependents receive protection from these predatory rates through the Military Lending Act which capped the APR at 36%.

This measure will also require licensure for lenders, setting up governmental oversight by the Division of Financial institutions of the Dept. of Commerce and Consumer Affairs. Being able to track and monitor lenders will help the State to fully understand the scope of the industry as well as make sure predatory lending doesn't continue to occur.

I ask the Committee to **pass SB547 SD2**.

Mahalo for your time and favorable consideration,

Mahalo for the opportunity,
Gary Hooser
Executive Director
Pono Hawaiʻi Initiative, an organization member of the Common Good Coalition

DFC GLOBAL CORP

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LATE

March 13, 2019

Honorable Takashi Ohno, Chair
Honorable Dale T. Kobayashi, Vice Chair
Committee on Intrastate Commerce
House of Representatives
415 S. Beretania Street
Honolulu, Hawaii 96813

Re: SENATE BILL NO. 537, SENATE DRAFT 2 RELATING TO CONSUMER PROTECTION

Dear Chair Ohno, Vice Chair Kobayashi and Committee Members:

On behalf of Dollar Financial Group ("DFG"), we respectfully submit the following testimony relating to Senate Bill No. 537, Senate Draft 2 (SB 537), which will be heard by your Committee on Intrastate Commerce on March 14, 2019, in SUPPORT WITH AMENDMENTS.

The purpose of SB 537, relating to consumer protection, is to transition Hawaii's non-prime lending market from single-pay deferred deposit transactions (so-called "payday loans") to lower priced, longer term installment loan transactions.

Currently, deferred deposit transactions, which are authorized under chapter 480F, Hawaii Revised Statutes, represent the only available source of small dollar, short-term credit to the underserved credit market in Hawaii. These non-prime consumers, approximately 160 million in the US and Canada, now represent a larger customer segment than prime consumers but are not able to be serviced and underwritten with traditional prime lending products. Non-prime consumers, including thousands of residents of Hawaii, struggle with unexpected financial hardships daily—many of them are shut out of the traditional financial services market, unable to obtain credit from banks or credit unions.

- A recent Federal Reserve report found that nearly half of the people surveyed said they could not cover a hypothetical emergency expense of $400, and the CFPB's first national survey on financial well-being found that more than 40% of U.S. adults struggle to make ends meet. For years, millions of Americans have relied on small-dollar loans to weather unexpected expenses such as medical bills or car repairs.
- According to a recent survey by a strategic research firm, 94% of small-dollar loan borrowers consider obtaining such loans to be a rational decision when they are faced with these unexpected expenses or to avoid far more expensive alternatives, including

bank fees (including overdraft protection and bounced checks), cancellation or late charges (including penalties for late bill payments) and unregulated or illegal loans.

Because credit pricing is determined by repayment risk and this non-prime market segment has a substantially higher credit risk than that of prime consumers, the pricing of non-prime credit products necessarily must be higher than prime credit products in order to support a viable non-prime lending market. In addition, the credit products tailored for this non-prime consumer segment present unique risk underwriting, information technology, compliance, customer need and operational challenges and requirements that differ substantially from traditional credit products offered to prime consumers. As a result, other lower credit risk lenders (e.g., banks) have been unwilling, and, in many respects, unable, to service this non-prime market. DFG and most industry observers do not expect this to change. The alternative financial products available to this non-prime market segment, such as check overdrafts, unregulated internet lending or loan sharks, can be costlier and overall less desirable than appropriately structured deferred deposit and installment lending products. Without adjustment to SB 537, non-prime consumers in Hawaii will likely be left with only these options.

DFG currently is the largest non-prime, small-dollar lender in the State of Hawaii, with 8 places of business, employing 32 employees, with over 21,000 customers within the state. DFG is a leader in the US and Canada in the transition from payday loans to small dollar installment loans. Over the last three years, installment lending, as a percentage of DFG's overall loan portfolio, has increased from 25% to 81%. DFG has recent experience in other U.S. states, including California and Florida, and in nearly every province in Canada, with the introduction of new, small dollar installment loans similar to what is proposed in SB 537. DFG's subsidiary, Aspen Financial Direct, began operations in 2018 and offers installment loan products online in 13 states. Aspen is licensed and regulated in each state in which it does business. Non-prime consumers in Hawaii would greatly benefit from access to installment lending products such as those DFG has begun providing in these other jurisdictions.

Based on its recent experience, DFG strongly believes that the optimal regulatory framework is one that enables the delivery of appropriately priced products best suited to the needs of its non-prime customers. Depending on the customer's circumstances, a small dollar short term loan may be the best option and, in other cases, a larger, longer term installment loan may be more appropriate. Contrary to the views of many, non-prime customers are capable of making rational and informed loan product choices that suit their particular requirements. When access to small-dollar loans is restricted, consumers are harmed.

- Recognized and respected academic studies have shown that when small-dollar loans are removed as an option, consumers bounced more checks, complained more about lenders and debt collectors, and filed for Chapter 7 bankruptcy at higher rates.

- Recent interpretations by regulators of studies previously relied upon to justify stricter regulatory treatment of small dollar loans now indicate that there is not "a sufficiently robust and reliable basis" to support the view that consumers fail to understand the risks and requirements of these loans or their ability to repay them.

DFG supports the implementation of a new small dollar installment loan program in Hawaii, such as that proposed by SB 537, provided that certain limited changes are made to SB 537 to harmonize the installment lending terms with those DFG is complying with in other jurisdictions (in both its retail and online businesses) and, thereby, enable and support an economically viable non-prime lending market in Hawaii.

The economic reality is that there is greater risk associated with lending in this non-prime credit market segment and longer term credit products will introduce even greater degrees of credit risk. This is one of the reasons that other, prime-focused financial institutions are unwilling to extend credit to this market segment and would be even less willing to provide longer term installment loans. Without a few adjustments to SB 537, the credit risk associated with this market segment is likely to make the desired small dollar installment loan program economically unsustainable and cause current lenders to this non-prime customer base to substantially curtail lending operations or cease operating in Hawaii entirely. Based on DFG's modeling and its loan loss experience with the non-prime market in Hawaii, for each dollar of installment loan debt, the interest and fee revenue permitted under the current terms of SB 537 would barely cover the loan loss reserve that would be necessary for this customer credit class in Hawaii. After accounting for the lender's own cost of funds, its other operating costs and expenses and an expected level of early prepayments, the SB 537 installment loan product as currently configured becomes an unattractive product to any lender in Hawaii (even to a financial institution with extremely low funding costs).

Based on DFG's experience in the other U.S. states (including with its online lending business) and Canada, the following limited changes are necessary to make the small dollar installment loan framework viable in Hawaii:

1. Maximum Loan Amounts: increase from $1,000 to $2,500

2. Affordability Requirements: increase the verified gross monthly income and verified net monthly income maximums by 1%

3. Monthly Fee Caps: change as follows:

   - Loans up to $300: $20
   - Loans between $300 and $499: $30
   - Loans of $500 or more: $40

4. Installment Lending Transition Period: provide for an 18-month period for the transition from deferred deposit transactions to small dollar installment loans by making elimination of deferred deposit transactions effective on January 1, 2021.

Maximum Loan Amount and Affordability Requirements. With respect to the increased loan amount, because SB 537 includes requirements limiting the amount of monthly payments to specified percentages of the borrower's income, borrowers will be protected against over-extending themselves (DFG's own underwriting controls are also designed to prevent against this). The change will also provide greater flexibility for customers and will more closely align the SB 537 installment lending terms with those for suitable and viable lending products that we now, and are now required to, provide in other jurisdictions. Our recent experience has shown that only when a viable, new installment loan product can be provided to our non-prime customers, can the lending market provide those customers with suitable alternatives to, and facilitate a diversification away from, payday-type products. Based on our risk underwriting and loan loss experience with this particular borrower class, an increase of 1% to the two income affordability measures would not be unreasonable and would appropriately expand access to this needed credit product and provide greater depth to the local lending market.

Fees. As mentioned above, this type of credit product has substantial and extensive operational, compliance, IT and customer service requirements that would justify a moderately higher fee structure and render the product viable for a responsible lender at the authorized interest rate. DFG is a market leader in implementing operations and systems enhancements to make the delivery of credit products to its customers more efficient. Substantial investments in operational improvements, technology and proprietary risk analytics optimized for the non-prime market enable DFG to more effectively scale its lending operations and provide compliant lending products at the most competitive pricing in the industry. DFG believes that only the most operationally sophisticated and efficient lending organizations will be able to participate in this market in a compliant manner in the future and we are the most capable non-prime lender in Hawaii in this regard. However, without an increase to the authorized fees, installment loan revenue will only cover expected loan losses and provide little, if any, additional margin to cover costs and expenses associated with the business.

Implementation Period. If deferred deposit transactions are completely eliminated, then a transition period will be necessary to avoid a total market disruption in Hawaii because SB 537-compliant installment loans will require a substantial investment in operational, IT, compliance and customer service enhancements before the product can prudently be brought to market. Lenders will need time not only to comply with the licensing requirements contained in SB 537, but to successfully bring about and test the enhancements described above. Similar legislation (including federal CFPB, California, Florida and various provinces throughout Canada) have provided for 12-18-month transition periods. Without a longer transition period, the Hawaii non-prime lending market will shut down for extended periods of time with adverse effects on consumers.

For the reasons we have set forth above, DFG believes it would be inadvisable to completely remove deferred deposit transactions from the marketplace and inevitably force many non-prime consumers into a credit product that may not best suited for their immediate requirements. A regulatory regime that forces non-prime consumers to take loans in larger amounts, repayable over longer periods of time in those cases when a smaller, shorter-duration single payment loans may be most appropriate, will not be beneficial for consumers or the marketplace. The non-prime consumer has substantially higher needs for short term credit support than the typical prime consumer. With appropriate regulatory modifications, both short term single payment loans and longer term, installment loans can serve as suitable credit options for non-prime consumers. Numerous other jurisdictions, including California, Florida and many Canadian provinces, have successfully done just this and permit, and regulate, both non-prime installment loans (which provide longer term credit solutions) and the equivalent of deferred deposit transactions (which address immediate and short term financial stresses, emergencies and other immediate needs of non-prime consumers).

In summary, without modification to SB 537, a new market for non-prime installment loans will not be sustainable in Hawaii under the proposed regulatory scheme. As presently proposed, SB 537 would eliminate deferred deposit transactions without making a viable credit alternative available to Hawaii's non-prime consumers. This, in turn, is likely to force these borrowers to use less attractive (and oftentimes illegal) alternatives such as check overdrafts, unregulated internet lending or loan sharks. However, with the changes we propose, responsible and operationally efficient non-prime installment lenders could support a viable non-prime lending market in Hawaii and more effectively serve the needs of the non-prime consumers in the state. In the long run, a more effective non-prime lending market can help these borrowers by providing better tailored credit products and enabling them to develop better credit histories, which ultimately will reduce their cost of credit when they are able to access lower credit risk products.

Thank you for your consideration of our testimony.

Very truly yours,

DOLLAR FINANCIAL GROUP

James Odell
Executive Vice President and General Counsel