

Proponent Testimony on Amended House Bill 123
House Government Accountability and Oversight Committee
Doug Fecher, Chief Executive Officer, Wright-Patt Credit Union
April 18, 2018

Chairman Blessing, Vice-Chair Reineke, Ranking Member Clyde, and members of the House Government Accountability and Oversight Committee:

I'm President of Wright-Patt Credit Union in Beavercreek, Ohio, serving over 337,000 members most of whom live in Dayton and Columbus. Wright-Patt also has three branches on Wright-Patterson Air Force Base, and military families serving in Ohio are a core of our membership. I am pleased that this committee is revisiting the issue of payday lending. These loans harm so many of those in our community who need both safeguards and also better financial options.

I write to re-affirm the support for payday lending reform from my January testimony before this committee. Successful reform should 1) give borrowers reasonable time to repay in affordable installments, 2) protect against predatory pricing and practices, 3) avoid excessive regulations that substantially drive up the cost of lending, and 4) enable efficient and responsible lenders to earn a fair return so that credit remains available. Amended HB 123 would achieve all of those.

Giving borrowers terms of at least six months and allowing them to repay early without penalty if they can afford it, are strong elements of the bill as they provide consumers a way to build short term emergency debt into their family budget without needing to roll loans over every few weeks while incurring new sets of fees.

The amendment also explicitly permits banks and credit unions to offer these loans, which many will be able to do at much lower prices than payday lenders.

While the amended bill permits higher costs than may be necessary, I respect the spirit of compromise in designing these limits and do not find them to be so high as to make the bill unsupportable from my position. I appreciate the work legislators have put in to protect Ohio consumers through the compromise process.

One of the answers to this issue for Ohioans is to attract competition for the short term emergency loans Ohio families need from time-to-time, and this bill will attract new providers of small loans, particularly among Ohio credit unions.

My January testimony in support of HB 123 is appended below for reference.

Respectfully,

Doug Fecher
Chief Executive Officer
Wright-Patt Credit Union

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Doug Fecher, Chief Executive Officer, Wright-Patt Credit Union
January 17, 2018

I would like to thank this committee for taking up an issue that I've been concerned about for many years-- the impact of predatory loans on Ohio families. My name is Doug Fecher, and I'm President of Wright-Patt Credit Union in Beavercreek, Ohio, serving over 337,000 members most of whom live in Dayton and Columbus. Wright-Patt also has three branches on Wright-Patterson Air Force Base, and military families serving in Ohio are a core of our membership. Most Wright-Patt members are of modest means that often use small dollar loans as a lifeline when money gets tight.

In my job I've seen firsthand the damage brought by predatory payday loans. Families under financial duress that don't qualify for mainstream loans often turn to payday lenders to get by. As a result, many families find themselves in an even deeper hole of debt costing hundreds or thousands of dollars each year with no realistic way out.

In response Wright-Patt Credit Union offers small-dollar, short term loans to its members through a program called StretchPay. From this experience we've learned a thing or two about small dollar lending and can confidently say that H.B. 123 is a necessary step forward precisely because it addresses two of the most critical aspects of small dollar lending that harm consumers the most.

- First, House Bill 123 requires that borrowers be given reasonable time to repay their loans, thus ensuring that families can repay their debts in manageable installments without being forced into additional fees when loans are rolled over because payments driven by short repayment terms are too large to be affordable.
- Second, payments of 5% of monthly income ensure that families can repay emergency loans while still receiving 95% of their income for rent, food, and other necessities which weigh particularly heavy on Ohioans of modest means.

For these two components alone Wright-Patt Credit Union advocates strongly for HB 123 and we congratulate the legislature for taking up this important issue.

HB 123 is a strong improvement also because it accomplishes its goals without adding excessive burdens to responsible lenders, thus encouraging participation in the short term loan market. Too often we've seen attempts to solve the problems of predatory lending in ways that preclude responsible lending because of increased regulatory costs beyond that which responsible lenders are able to absorb.

Indeed, HB 123 is good public policy because it balances the needs of consumers with the needs of responsible lenders and keeps the costs of small dollar loans sustainable for all parties. Here's what we mean.

HB 123 sets simple standards that allow small dollar loans without costly requirements that keep lenders from entering the market. Limiting payments to five percent of income is easy to calculate and administer. Five percent payments are also manageable for consumers and sufficient to ensure loans are repaid in a reasonable period of time. For consumers earning \$3,000 per month, monthly installment payments could be no more than \$150. That simple standard helps ensure affordability which means consumers are more likely to repay their loans and be out of debt. And in the end getting Ohioans out of short term debt should be our goal.

HB 123 also establishes limits on how many times lenders may attempt to collect from borrowers' checking accounts which further reduces fees. This is an important provision because too many end up losing their checking accounts when lenders repeatedly drive balances negative when collecting payments.

Of course, any bill can be improved. HB 123 amends non-depository statutes, but it doesn't cover banks, and it doesn't cover credit unions that are already regulated regarding maximum interest rates. Allowing credit unions and banks to also offer loans under HB123 would promote competition and expand access to small dollar loans. Bank and credit union loans also have the benefit of being reported to credit bureaus which helps marginal borrowers establish good credit.

Let me conclude with a short story. Just this morning I learned of a WPCU member who in an off-hand remarked said they were going to be evicted from their apartment if they couldn't come up with \$500 by the end of the day. The member was thinking of going to a payday lender but was afraid because the loan would have cost them almost \$360. Fortunately we were able to help them with StretchPay at a cost of \$45, and so this story has a happy ending.

But the story for thousands of Ohioans aren't does not always end up this way. Indeed, small dollar loans from responsible lenders must remain available in Ohio. The trick is to make such loans affordable for consumers while allowing lenders a reasonable profit. HB 123 is a good bill. It is a good policy. It will strengthen families in our state. Respectfully, I urge this bill to move forward for the good of all of Ohio.

Respectfully,

Doug Fecher
Chief Executive Officer
Wright-Patt Credit Union