

Opponent Testimony

Amendment HC1867 to the 2015 House Budget Bill

Senate Finance Workforce Subcommittee

Tuesday May 19, 2015

Louis W. Tansky: President Ohio Pawnbrokers Association

Chairman Beagle, Vice Chair Williams and Members of the Senate Finance Workforce Subcommittee. Thank you for the opportunity to offer testimony today on Amendment HC1867 to the House Bill 64 .

My name is Louis Tansky and I am the proud president of the Ohio Pawnbrokers Association. I am honored to have recently been re-elected to my seventh consecutive two year term as president of the oldest Pawnbroker trade association in the country, having been founded in 1936. For nearly eighty years, our association has represented the independent pawn shop licensees in this great state.

The Ohio Pawnbrokers Association (OPA) strongly opposes the Two-Tier Pawnbroker License Scheme and other Anti-Consumer and Anti-Competitive Amendments to Ohio's Pawn Law solely endorsed and for the unique benefit of a Texas-based owner of Pawn Stores and Payday Lenders

The Ohio Pawnbrokers Association opposes the inclusion in the Rev. Code, Ch. 4727, of a proposed two-tier pawnbroker licensing scheme – a so-called “license plus” arrangement for larger pawn companies, as well as other amendments. The amendments contain provisions that are anti-consumer and others that are anti-competitive. Our reasons are as follows:

1. No other state in the nation currently has a two-tier license structure for pawnbrokers, which the Texas pawn store corporation has promoted since 2011.
2. Concerns exist that the creation of a new two-tiered licensing scheme will open the flood gates to other regulated businesses seeking the same. Indications are that the Department of Commerce may not be prepared for an onslaught of this possible new regulatory oversight.
3. Nothing has changed in Ohio to warrant enactment now of this two-tier licensure scheme, except the anti-competitive instincts and sheer greed of the Texas corporation that seeks these amendments.
4. All pawn consumers will be harmed by the proposed changes. The OPA and numerous consumer groups do not support increasing interest rates or fees for pawn loan transactions that are in these amendments.
5. Consumers who deal with “license plus” pawnbrokers:
 - Will have only 60 days – as opposed to the current 90 days – to repay their loans and redeem their collateral securing the loan.
 - May be required to pay interest and fees at the outset of the pawn transaction, rather than at the end of the month as currently permitted. This means that loan proceeds for consumers will be smaller than they are for the same “amount financed.” This practice in the payday industry has been widely criticized.

- Will pay a combination of “interest” and “fees” that is likely to exceed the amounts currently allowed by Ohio pawn law.
 - May be required to pay interest and fees upfront from the proceeds of the loans, as opposed to at the time of repayment of the loan. Consumers will have to borrow significantly larger amounts to cover these up-front deductions from loan proceeds.
 - Will receive only electronic communications that their loans are about to mature and that they will lose their collateral if they do not repay the loans and redeem their property on schedule.
 - Will lose the protections of current Ohio pawn laws against the collection of consumers’ personally identifiable information along with other details about the pawn transaction. Privacy protections in the current Ohio pawn law makes it one of the strongest in the nation and the only state law we believe fully recognizes pawnbrokers’ duties under Title V of the federal Gramm-Leach-Bliley Act’s financial privacy protection provisions.
6. Military borrowers and their dependents will not benefit under proposed Sections 4727.061 and 4727.062. Specifically,
- Section 4727.061 will result in higher, not lower overall credit charges because it allows much higher “fees” to be imposed.
 - Section 4727.062 provides no relief from applicable “interest” unless the service member was or is about to be deployed for service relating “to a military conflict.” With fewer deployments for “conflicts,” this will help few, if any, Ohioans.
 - Section 4727.062 provides no relief from the larger “fees” that will apply if the legislature enacts these amendments.

Since their entrance in the Ohio marketplace over twenty years ago, the Texas corporation that is the sole proponent of this amendment has displayed a history of anti consumer and anti competitive business practices. These practices and legislative change attempts seem to indicate a desire to drive smaller and independent Ohio pawn licensees out of business.

These practices and attempts include:

- Proposed rate increases of up to 400%,
- Proximity limitations to restrict entrenched licensed businesses from easily selling or moving,
- Restrictions upon whom one could sell their business to,
- Special licensures designed specifically for larger operations at the detriment of smaller independent operations

While this corporation has publicly argued the Ohio Pawnbrokers Association is opposing this amendment only because “ they don’t like competition” , this company's actions speak louder than words.

Throughout this company's 12-15 attempts at re-writing the Ohio pawnbrokers Act there are always some common threads. There is always a request for increases in rates and a reduction to the protection of consumers.

One must wonder why a company of this size simply by the economy of scale, cannot operate more efficiently. If the smaller and independent pawnbrokers in the state of Ohio can make a profitable living at current rates, why can't the proponent?

This corporation that is the sole proponent of these amendments was fined upwards of \$19 million by the federal Consumer Financial Protection Bureau in late 2013 and ordered to pay \$14 million in refunds for overcharging service members nationwide in violation of the federal Military Lending Act. Additionally, this same corporation has agreed to a \$36 million class action lawsuit settlement in consumer allegations of improper Payday Loans and charged interest and fees.

We believe these points reflect the true nature of this company and their business practices.

A two-tier license structure is also anti-competitive because it favors the largest participants in the marketplace over all smaller ones by reducing their costs of operation and increasing their overall compensation. In addition to more favorable terms for "license plus" lenders, the amendments also expose "standard licenses" holders and their consumer customers to data-reporting of personally identifiable information and to the payment of fees to support this broader (and the OPA believes improper) data collection that the amendments do not impose on "license plus" holders or their customers. Over time, unequal fee structures will drive out local Ohio owned pawnbrokers and give the "license plus" businesses a more wide open marketplace, which usually means higher costs for consumers.

It is noteworthy to point out that the Director of the Department of Commerce recently testified before this very subcommittee and expressed her concerns that this amendment should be vetted as a separate bill to stand alone and debated on its own merits.

This amendment is nothing more than a thinly veiled attempt at a government bailout using increased revenue streams for one inefficient and poorly run out of state company.

In closing, I ask members of the subcommittee not to be misled by the single commercial proponent of this amendment.

This amendment is bad public policy. It is not good for consumers, it is not good for the industry, it is not good for the State of Ohio. This legislation is good for nothing, except it's single commercial sponsor.

I thank you for the opportunity to address these very important issues today and welcome any questions you have.

Respectfully submitted May 19, 2015,

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