OHIO FINANCIAL SERVICES ASSOCIATION

House Financial Institutions, Housing, and Urban Development Committee
Chairman Jonathan Dever
Proponent Testimony on Senate Bill 24
Offered by Dayna Baird Payne, Ohio Financial Services Association
March 28, 2017

Chairman Dever, Vice Chairman Sprague, Ranking Member Smith, and members of the House Financial Institutions, Housing, and Urban Development Committee, thank you for the opportunity to appear before you today in support of Senate Bill 24. My name is Dayna Baird Payne and I am the Executive Vice President of the Ohio Financial Services Association.

The Ohio Financial Services Association ("OFSA") was established in 1915 and its members have been providing very much the same services for more than 100 years. OFSA's member companies essentially fall into three categories: companies operating only in Ohio with anywhere from 1 to 15 branch offices; regional companies operating in 4-5 states including Ohio; and large companies operating throughout the country with a solid Ohio footprint. Many of our members are subsidiaries or affiliates of banks or bank holding companies.

Simply put, OFSA member companies make consumer installment loans. Among these loans are personal loans, retail installment financing, and automobile loans, both secured and unsecured. Our members have long maintained a presence in their local communities. They have very frequent, often lifelong, interaction with their customers. Although loan characteristics do vary, the average loan term for our members ranges from 12 months to five years. The average loan amount ranges from $1000 to 10,000. And naturally, these are installment loans – meaning that they are payable in equal monthly installments over the term of the loan.
In addition, the majority of OFSA members hold their loans "in portfolio," meaning they do not securitize the loans. This results in our members making better decisions on the credit quality of the borrower and the loan parameters because they hold the loan and have a vested interest in seeing the loan repaid.

OFSA members are licensed, supervised, and actively examined by the Division of Financial Institutions within the Ohio Department of Commerce. We are also subject to a lengthy list of state laws, including the Consumer Sales Practices Act, Retail Installment Sales Act, and usury laws, as well as federal laws such as Truth-In-Lending, Equal Credit Opportunity Act, Fair Credit Reporting Act, RESPA, and more. Consequently, OFSA members spend a great deal of time and resources on compliance with state and federal laws and responding to examinations by our regulators.

OFSA members currently operate under the Ohio Mortgage Loan Act (OMLA). The OMLA is a bit of a misnomer, as many different types of loans can be made under the act, including personal loans, home loans, auto loans, unsecured lines of credit, and even short-term loans, as the OMLA has no minimum loan term requirement. The OMLA was established decades ago and was intended to regulate our consumer finance industry. For many, many years, we were the only type of lenders licensed under the OMLA.

However, with the passage of the Short Term Lender Act in 2008, the make-up of licensed OMLA lenders has changed dramatically. We have seen many short-term or payday lenders migrate to the Ohio Mortgage Loan Act, as well as an increasing number of auto title short-term lenders. As I explained earlier, OFSA members make much different loans to their customers than many other lenders operating under the same act. We believe that leads to confusion both for our customers and our regulators. Furthermore, OFSA members have been occasionally been confused with in media reports with short-term payday and auto title lenders due to the fact that they now operate under the OMLA as well.

Senate Bill 24 provides a solution for this growing problem. The bill copies all the relevant sections from the OMLA and duplicates them in a new code section entitled the Consumer Installment Loan Act. Senate Bill 24 then adds additional restrictions for those making loans under the new act. For example:

- Loans must be payable in equal monthly installments
- Loans must have a six-month minimum loan term
- Loans cannot be refinanced within the first 120 days and cannot be refinanced more than three times in a 12-month period
- Licensees cannot accept a loan that originates – directly or indirectly – from a credit service organization (CSO)

I should also mention that Senate Bill 24 does not impact the Ohio Mortgage Loan Act, so the provisions of that law stay in place, unaffected, for those who will remain licensed under it.

Our association worked closely with our regulators at the Division of Financial Institutions in the Department of Commerce, and the bill incorporates several provisions requested by the Division. These include changes such as updates to record keeping requirements to reflect electronic capabilities and adjusting the time frame for examinations by the Division. We very much appreciate the time our regulators at Commerce dedicated to reviewing this legislation, and hope they see it as a joint effort like we do.

The Association and its members have a long, distinguished history of helping Ohioans get access to affordable credit, and being the voice of small business in our communities. I would like to thank the committee for its consideration of Senate Bill 24 and respectfully ask for your support. I would be happy to answer any questions you may have.