David Thomas, Austinburg Township Fiscal Officer
H.B. 123 Ohio Senate Finance Testimony 6/21/2018

My name is David Thomas and I serve as an elected Township Fiscal Officer in little Austinburg at the very Northeast tip of Ohio in Ashtabula County. I am our county's youngest elected official and also serve as our Young Republican president with our Party's county executive committee. So then you may be thinking, how did I, a small town elected leader who believes in limited government, less regulations, and local control end up here, advocating for Payday Loan Reform and more state regulation? Very simply put, my community is hurting. We're a traditional rust belt rural area where jobs have left, businesses closed, and folks are desperate. Many in my community have turned to Payday and Short Term Loans with their promise of help, as a quick fix after seeing the gimmicky marketing of quick cash and easy approvals.

My residents are too proud to ask for help, too scared to ask for details, these are good hard working people who have become trapped in a cycle that years later still haunts them. Payday Loans are not the cause of our hardship, but $1 million my County residents alone pay in excessive fees would be saved from H.B. 123 and could be better used to support small business and sustain our local schools. Instead those dollars are sent out of county, leaving despair behind. That is why my Board of County Commissioners, including former State Rep. Casey Kozlowski, passed a Resolution supporting H.B. 123. They too, are all limited government, Republican officials. We support this intervention as we see the hardship because as local leaders we live amongst our residents and know the difference between the private sector serving a need and bad actors exploiting the vulnerable. I as a township official or county leaders cannot impact financial institutions- local level government can't do that but you can.

David Thomas, Austinburg Township Fiscal Officer
H.B. 123 Ohio Senate Finance Testimony 6/21/2018

One of my residents, I will call her Cheryle because she didn't want her name used out of shame for her experience. Cheryle is a nurse with our local non-profit hospice. She is middle income, but sadly due to her parents' weak health, has been cash-strapped taking care of them. A year and a half ago following her parents' surgeries and her taking FMLA time to care for them, Cheryle took out a number of payday loans over the course of several months. One was for $800. She shared with me that at the time, she was so scared for her parents and so desperate to be able to help them, that she didn't question the vague repayment language or terms in her loan contracts. It got to the point where all of her income was going to pay off payday loans.

She is currently repaying $192 every two weeks for that $800 loan. She has already paid $3,300 in interest and fees, on the base of $800, but hasn't made a dent in the initial loan. And that is just one of her loans- each one taken out because the payments were unmanageable with her budget.

Despite her service to others and literally taking care of the sick at their worst times, Cheryle fell victim during a vulnerable state and has for nearly two years, been paying the price. We spent time together reviewing H.B. 123 and she told me that the provisions in the House Bill – especially having affordable monthly payments of no more than 5% of her monthly income that pay down the loan principal – would have helped her situation and will aid others for the future. She, like us, believes that small loans can be helpful and should exist as an option for people. But, after her experience, she asked me to plead with you, to put guidelines in place to prevent the type of financial hostage scenario she has been through.

Now, due to my political beliefs I am not one typically that believes regulations and government intervention are necessary. But after speaking with my constituents and investigating the issue, this is a market failure and blatant issue in my small town and in our big state. True competition does not exist in this marketplace because borrowers are in distress and lenders can take advantage. By not doing something or passing a weakened version of H.B.123, we are propping up the bad actors and those taking advantage of Ohio's loopholes to in turn take advantage of our citizens. As a competitive free market guy, that's simply unacceptable.

H.B.123 uses a simple, limited government approach that is much better than the more government interventionist ideas being floated by Sen. Huffman as a possible replacement amendment. As a small-government proponent, I am particularly concerned with the misguided notion of a database that tracks and limits borrower behavior and attempts to ration credit. While it is reasonable to require cars to have airbags and seatbelts so they are safe; we don't tell people they are only allowed to buy one car with an engine that is likely to explode! We allow consumers the choice of safe vehicles, in the amount their budgets permit. H.B.123 wisely requires all loans to be safe and affordable from the start and it will let borrowers choose when to borrow and how quickly they want to pay it off, so long as loans meet a few simple safety standards. Sen. Huffman's idea would allow harmful loans that could blow up a person's budget, but then attempt to limit the number of times a person can borrow the defective product. That would require a costly, big brother database to enforce.

David Thomas, Austinburg Township Fiscal Officer
H.B. 123 Ohio Senate Finance Testimony 6/21/2018

In small towns we support each other, which is why I am here today asking you to do what we at the local level, what we in the religious community, what we in the private sector alone cannot do- and that's help Cheryle and hundreds of thousands of people in Ohio like her who turn to companies whose competitive advantages are low competition, heavy marketing, and high despair. H.B. 123 is a middle ground, market based, consumer focused solution that will help. I urge you to vote this sensible, compromise approach out of committee without stripping out the simple, proven protections.

Thank you

Quotes from Colorado Policymakers

Colorado's Attorney General says that their state's payday loan law is a model:
"In 2010 Colorado addressed concerns about abuses in the payday lending industry and had what all sides would agree was an energetic debate on a new regulatory approach. The result of that debate has proven to be a success. Indeed, we consider it a success for the consumer, for the state as a regulator and also for the industry. Industry abuses (as measured by enforcement actions) are down; consumer complaints are down; and the industry itself is profitable and able to offer its products responsibly to consumers who choose to engage in that market. In light of the successes we've enjoyed in Colorado, I strongly encourage you to not only study how we regulate the industry and to consider adoption of our approach, but I offer my office's assistance as you continue to consider application of regulations nationwide."
- Attorney General Cynthia Coffman (R), letter to Director Cordray, October 15, 2015

The former Republican AG and former Democratic Governor published an op ed together:
"... look to Colorado's example and implement the changes needed to restore sanity to the small-loan market. Millions of people in our communities need relief from loans that are decimating their paychecks and making difficult financial situations even worse. In Colorado, we set strong, clear rules that have made payday loans far safer."
- John Suthers (former Colorado Republican Attorney General) and Bill Ritter Jr. (former Colorado Democratic Governor), McClatchy Newspapers, "Solving the Problems of Payday Loans," April 22, 2014

Republican Congressman Scott Tipton had this to say about Colorado's payday loan reforms in a press release last summer:
"Colorado undertook the effort necessary to strike the appropriate balance between consumer protections and access to affordable credit when crafting its small-dollar lending regulations."
"According to data from the Colorado Attorney General's Office, industry abuses have fallen, consumer complaints have fallen, and although the industry experienced some consolidation, it has remained viable without limiting consumer access to credit."
- U.S. Representative for the 3rd District of Colorado Scott Tipton (R),
https://www.americanbanker.com/opinion/cfpb-payday-plan-thwarts-success-of-state-laws

State Representative Kevin Van Winkle (R):
"...We have worked tirelessly to create a balanced framework that protects consumers from "predatory lending" and maintains their ability to access short term credit. Colorado offers a safe and regulated environment for our consumers and small businesses that fosters a climate for reputable lenders and economic success. In 2010 the state legislature passed a bipartisan set of reforms that were designed to protect consumers and vet viable lenders."
- State Rep. Kevin Van Winkle (R), https://www.regulations.gov/document?D=CFPB-2016-0025-199658

Former Senate President Bill Cadman (R):
"In Colorado, my fellow legislators and I have devised a responsible way to make these loans a better product. Given the high cost, short payback period and lump-sum repayment requirement, many borrowers found themselves trapped in a cycle of debt. To combat this we developed regulations aimed at reducing fees on payday loans, authorizing installment payments, and extending the length of loans to a minimum of six months. As a result, we have saved borrowers money and produced an honest source of credit for my constituents."
- State Sen. Bill Cadman (R), https://www.regulations.gov/document?D=CFPB-2016-0025-187765