

**Senate Finance Committee testimony HB123 Monday, June 25, 2018
Fred Evensen, President, Loansmart Inc. Dba Cashsmart**

Mr Chairman and Committee members, thank you for the opportunity to speak. I am President of Loansmart Inc. We have 10 locations and 35 employees in Northern Ohio. We operate full service community financial service centers. We are licensed in the State of Ohio for both the Mortgage Loan Act and Check Cashing. We offer many financial services including:

- 1 Short term loans from \$100 to \$1500. The loans have repayment terms from a single payment up to 8 installment payments. Payments range from biweekly to monthly payments in equal installments.**
- 2 Check Cashing services at reasonable rates ranging from .5% to 3% on average.**
- 3 Seller of money orders, bill payments, wire transfers, pre-paid debit cards, and many other miscellaneous services.**

Our customers know us and trust us with their financial needs. We offer them convenient hours and products that they need and want. We do our best to accommodate all their needs. I have been in the financial service business providing check cashing and small loans for almost 30 years and we have endured every twist and turn the industry has endured. We have always asked “Are we giving the consumers what they want and need and are we doing it the right way?” We have always followed the laws, regulations and restrictions that have been put in place.

I don't speak for everyone in the industry but my goal has always been to operate in an open and honest manner. At the end of the day all we ask is to make a reasonable profit just like any other business. There seems to be some misconception that the industry makes an obscene amount of money by fleecing the public. That could not be further from the truth.

We have employed many people over the years. We have provided a stable job, competitive wages, good benefits and retirement plans. These are good hard working family people providing for their families. If HB 123 is passed as originally proposed we would no longer be able to operate our business. We could not pay our bills or pay our employees. Everyone would lose their job. Our customers would no longer be able to access short term loans, cash checks or utilize the many other services we offer. All the vendors, landlords and others we work with would lose our business effecting many more lives.

- **I got in the business 30 years ago when there was little regulation for check cashing or short term loans. At the time the transactions were considered a “deferred check deposit” transaction with a fee charged. Typically \$20.00 per \$100.**
- **In the mid 90's Check Cashing and “Payday Loans” became regulated under the Check Cashing and Check Cashing Loan Act. It was simple and straight forward. The fee was \$15.00 per each \$100 loaned and was capped at \$500. There was a 1 day cooling off period so the customer would be out of the loan after paying it off. No rollovers were allowed. Loan terms were a single payment due in 1 week or up to 30 days. A few years later the maximum loan amount was raised to \$800. To this day I still consider that it was the best model in the country. With some modifications and consumer protections added it would still be the best model in the country. It was simple and customers understood the loan.**
- **In 2008 the Check Cashing Loan Act was repealed and replaced with the Short Term Loan Act. As everyone knows, not one license was ever issued. No one could operate under the restrictions that were imposed. Consequently, everyone in the industry opted for alternative licensing under the Mortgage Loan Act rather than closing their doors. Was this just unintended consequences? Business's that opted for the MLA regulations lost over 40% of their gross revenue. At the time we had 20 locations and were forced to close 10 of them and lay off over 30 employees.**
- **A few years later the CSO model emerged and many out of state operators entered the market providing title and online loans. The CSO model enabled more “unintended consequences”**
- **Here we are today with HB123 being proposed to clean up those unintended consequences. If HB123 as originally proposed is passed with no modifications it would reduce the average loan revenue another 50 to 80%. There is a need and a demand for small loan short term products, we all know that. Reasonable regulation that would allow us to offer loan products with enough revenue to stay in business is within reach. It is reasonable to believe that consumer protections can be achieved without putting the entire industry out of business in Ohio.**

- **Also HB123 does not address online lending where we see the 500 to 600% Apr's and many collection abuses. If HB123 is enacted as proposed the licensed lenders in the state would close and consumers would be left with no alternative other than turning to unregulated options. Are we looking at more unintended consequences all over again?**

While we don't know all the details of the modifications that were outlined by Senator Huffman last Thursday, they seem like a reasonable point of discussion. The consumer protections and base fee structure he outlined should be seriously considered. I truly hope that you consider the future consequences of HB 123. Reasonable regulation that accomplishes consumer protection while enabling licensed lenders in the state to stay in business is within your grasp. Let's get it right this time. Our customers and our employees are counting on it.

Thank you for your time and listening to my thoughts.

**Sincerely,
Fred Evensen**