

Proponent Testimony on House Bill 123

Senate Finance Committee

Christopher Leonard, Chief Executive Officer, Velocity Solutions

June 21, 2018

Chairman Oelslager, Vice-Chair Manning, Ranking Member Skindell, and members of the Senate Finance Committee:

I am the CEO of Velocity Solutions, which provides software and services to regional and community banks and credit unions. We service the transaction accounts of over 25 million consumers and business owners.

One of our newest solutions is CashPlease,ⁱ an automated small-dollar, short-term loan program that allows banks and credit unions to provide their account holders with easy access to cash at affordable interest rates, while staying compliant and being much more efficient than manual processes.

CashPlease™ is a simple-to-use application that allows consumers to apply for loans 24/7 on their institution's branded CashPlease™ website or mobile app. Loan amounts generally range from \$100 to \$1,500 (as determined by the bank or credit union), and do not require a traditional credit check. An ability-to-repay determination is made by Velocity's data-driven proprietary algorithm, the underlying technology of which has been used to analyze short-term liquidity on millions of accounts for many years.

This solution is only offered within the regulated banking system. Under current Ohio law covering state-chartered banks and credit unions, the low interest rate limits make it difficult for those providers to offer small loans profitably. For this reason, we currently do not work with any such financial institutions to assist them in providing small loans in Ohio. But, HB123 would allow interest rates up to 28 percent plus a monthly maintenance fee up to \$20. With this rate plus fee structure, we believe that banks and credit unions would be more willing to offer small loans at prices that are still much lower than payday lenders, if HB123 were amended to allow banks and credit unions to offer these loans. Though manually processing applications and fully underwriting these loans by hand would be cost-prohibitive and time-intensive, our turnkey solution would automate those processes. Therefore, using technology like ours, banks and credit unions could begin offering small loans profitably at affordable prices if HB123 became law and were amended to allow banks and credit unions to offer these loans.

With that amendment, HB123 would create a much better option from regulated depository institutions for today's high-cost loan borrowers. Although it exempts banks and credit unions, by giving them the option of offering these loans, it could dramatically expand the availability of lower-cost small credit from regulated depository institutions. A turnkey solution like ours could make that a reality for many Ohio banks and credit unions without the large upfront investment that would be required to build a similar solution in-house. Hundreds of thousands

of Ohio checking account holders could benefit from the new lower-cost loans that would result. That could dramatically boost financial inclusion while also putting money back in the pockets of Ohio consumers.

Thank you for your consideration.

Respectfully,
Christopher Leonard
Chief Executive Officer
Velocity Solutions, LLC

ⁱ <http://myvelocity.com/2017/04/velocity-solutions-inc-launches-innovative-new-short-term-small-dollar-loanprogram/>