

Opponent Testimony
HB 123
Senate Finance Committee
Daniel McCabe, President of Advance Pay USA
June 25, 2018

I am an opponent of HB 123 as passed by the House.

I am the owner of Advance Pay USA. My office is in Brecksville and I have six stores located in Brooklyn, Garfield Hts., Euclid, Mentor, Akron and Boardman. In 2008, I owned 16 stores, but after the changes in the law in 2008, I have had to close ten stores.

I want to make clear to you that the passage of HB 123 would absolutely cause the closure of all of my remaining stores. I also believe it would cause closure of most, if not all, of the other stores in the industry. From what I have read, about 60% of the stores went out of business when Colorado passed its lending laws in 2010. The fees proposed in HB 123 are much more restrictive than the Colorado fees so clearly there would be an even greater percentage of closures here.

Even if all Ohio stores close, the demand for these loans will still exist. Most people will likely turn to the internet for loans, which will take business out of Ohio and subject Ohioans to less consumer protections and possibly identity theft from operating on the internet. This would be a disservice to your constituents.

Our customers are smart people. Many have college degrees or have gone to college. I have customers who are lawyers, college teachers and administrators, hospital workers and federal, state and local government employees. They understand the loan product, are aware of the cost, and are willing to pay for it.

The loans are used for a wide variety of reasons. Many turn to these loans as a means of covering surprise expenses like a car repair, a furnace repair or leaky roof. Without access to these loans, these Ohioans would be faced with the choice of repairing the car or keeping the lights on.

Very often the loans are used to save money by reducing bank and credit union overdraft charges. Many banks charge \$39 per overdraft. Wright-Patt Credit Union charges one of the lowest bounced fees, but even they charge \$25 per overdraft. The overdraft fees can easily pile up to hundreds of dollars a month. The loans save customers money by reducing overdraft costs. I think that APR is not an appropriate way to evaluate the cost of the loans, but if APR is used, the APR of the loans is actually much less than the overdraft charges by banks and credit unions, if these costs are converted to an APR.

The consumer groups describe our industry as a major problem, but our customers don't agree. Four or five years ago, the Consumer Financial Protection Bureau put in place a website to take customer complaints regarding payday loans and other consumer issues. The complaints regarding the loans were basically nonexistent. My company has our corporate phone number on the door of all of our stores and really the only complaints we receive are when an applicant is turned down. Our customers like and appreciate these loans, and often tell us they are glad we are here for them.

In 2008 the consumer groups all said that credit unions and others would step in and be able to profitably make loans under the Short Term Loan Act, but that did not happen. The CEO of Wright-Patt Credit Union testified on Thursday that he also felt that his credit union would be able to make loans under the 2008 law, but then admitted he was wrong. He stated that under the 2008 act, he lost money on the loans and he did not even take into account any overhead costs.

Now he states his Credit Union could make loans profitably under HB 123 as passed by the House. I'm not sure if he is talking about making the loans profitably with or without covering overhead. Maybe a Credit Union can make the loans if profit from the loans doesn't need to cover overhead because they have other sources of income, such as overdraft fees. My company needs to pay its overhead costs so this bill will

clearly not work for us or other retail stores. Also if a person doesn't want to open an account at a credit union, no loans would be available to him.

When the House passed HB 123, the House said the bill still needed work and it invited the Senate to improve it. I appreciate that Senator Huffman put forth the effort to work on this. The revisions to HB 123 proposed by Senator Huffman would seem to be a reasonable compromise if the fees and interest amount to an APR of about 360%. The cycle of debt issue would be completely resolved since the loans amortize over the term.

A 360% APR may sound like a lot of money, but because the average loan for our customers is only about \$350, the fees and interest for a six month loan would be about \$570. An APR of about 360% would be in line with the rates charged in most other states.

Commentary in the newspaper about us making obscene profits are absolutely false and have no basis. It's expensive to run these stores especially because of the bad debt, cash and security involved. Even if Senator Huffman's proposal is passed with fees and interest at about a 360% APR, I'm not sure that all or even any of my stores would survive. However, I feel that I would at least have a chance of keeping some of them open.

This bill is really important to my employees, customers and me. I ask that you take the time necessary to study the situation to get this right. In 2008, the Short Term Loan Act was rushed through and did not work as promised by the consumer groups. Please, don't go forward with something just to get it done. It's important to get it right.