



Micah Derry, State Director
SENATE FINANCE COMMITTEE
Opponent Testimony on HB 123
Tuesday, June 26, 2018

Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell, and members of the Senate Finance Committee, good afternoon, and thank you for the opportunity to offer testimony today.

My name is Micah Derry, and I am the State Director for Americans for Prosperity – Ohio, the state’s largest free market grassroots organization. As an organization that fights the internal and external barriers that act as obstacles for our country’s least fortunate, we oppose House Bill 123 in its current form, although we hope to be able to support the sub-bill.

I myself have been the recipient of a short-term loan at a time I was in desperate need. At twenty years old, I found myself deep in debt over a medical crisis, had no health insurance coverage, and was homeless for eight months. Due to a series of regrettable life decisions, I had cut off all conventional means of support from my family and had ultimately ruined my financial status to such an extent that no traditional financial institution would give me any form of a line of credit. As I fought to get back on my feet, the one thing that I knew was essential was for me to stop sleeping in an industrial building on a hard floor every night and to get myself into a more stable housing situation. While I could afford rent, I could not afford a security deposit.

It was a 30-day loan for a couple hundred dollars that gave me the opportunity to rent single-room with a shared bathroom and a mattress on the floor.

It was a short-term loan that eased the psychological burden and shame that I carried of knowing I was essentially homeless.

It was a short-term loan that helped put me back on a stable path, which has allowed me to ultimately lead a productive life this past decade.

At that time, I made the calculation of what the loan would cost me and what price I would pay if I failed to pay it back in a timely manner. To me the interest was worth the cost if it put a roof over my head. My situation is not isolated or unique. My former needs bear striking resemblance to the needs of hundreds of thousands of short-term loan customers in Ohio every year. Recent research has affirmed that the vast majority of consumers of these loans do the same thing I did. They assess their need, then apply for the cash loan accordingly.

Groups supporting this legislation as passed by the House wish to penalize, and indeed, banish lenders from the marketplace. In doing so they have led a witch hunt to find systemic failures in

the industry; they have failed to discover those shortfalls. The Consumer Financial Protection Bureau's own data shows in over four years of raw -and unverified- complaints regarding payday lenders, the complaining customers make up less than one-tenth of one percent of the customers the lenders serve. Despite this strong customer service record, House Bill 123 attacks these businesses that employ thousands, and meet the needs of hundreds of thousands of Ohioans.

It is noble and with good purpose for the legislature to wish to protect the most vulnerable among us who are seeking economic mobility to provide comfortable lives for themselves and their families. However, when those good intentions are manipulated with inaccurate data, such as the numerous claims by bill proponents, which would have you believe the Annual Percentage Rate of short term loans is inherently predatory, it should come as no surprise that the resulting proposed legislation is a product unready to become law.

It is incumbent upon the Senate to recognize the falsehoods and fear-mongering that has brought us to this point. We support decisions that are motivated by accurate data, including the fact that Ohio's short-term loan APR standards are already in line with the nation, are not some bizarre outlier, and are closer to half of what the proponents of the bill claim.

We support a reasonable APR cap in the mid-300 range.

We support a 30-day minimum loan requirement.

We do not take issue with a cap on amount of loans an individual can take on short-term.

We do not take issue with using a reporting system to ensure the compliance of that cap.

Traditionally, issues around payday lending have not been a high priority for AFP-Ohio. However, House Bill 123 in its current form is a blatant and misguided attack on businesses in Ohio, and, by extension, the economic mobility of the hundreds of thousands of Ohioans who patronize those businesses.

Thank you for the opportunity to testify today, Mr. Chairman. I am happy to answer any questions the committee may have.