



Senate Finance Committee Hearing

H.B. 123 Testimony

Ted Saunders, president, Ohio Consumer Lenders Association (OCLA)

July 9, 2018

Greetings Chairman Oelslager, Vice Chair Manning and Ranking Member Skindell and members serving the citizens of Ohio on the Finance Committee. It is a privilege to address you again today on the ongoing issue of small dollar lending in Ohio.

My name is Ted Saunders and I am the Chairman and CEO of Community Choice Financial Inc., the parent-company of the Checksmart brand that has 93 retail locations and its corporate headquarters in Ohio. I am here today proud to represent not only my company, but also the more than 1,300 Ohioans that we employ or who are dependents of those we employ, the 94 landlords to whom we pay rent for property in Ohio, and the hundreds of thousands of Ohioans who rely on our products and services each year. In addition, I am also the President of the Ohio Consumer Lenders Association, a trade association with 9 members and over 5,000 employees, each of whom have committed to operating consistent with rigorous best practices.

I am here today to clarify, expand upon and bring facts to the Finance committee as a follow-up to testimony you heard at the last hearing on June 27, 2018. I believe there were many misstatements, half-truths and outright lies that I would like to correct for the record today. We all know that small dollar lending is a favorite subject of consumer advocates, community organizations and the print media but the truth is these products are absolutely needed in the marketplace. Make no mistake consumers are not helped by shutting down or constricting safe regulated storefront locations in Ohio. The products will remain available through unlicensed entities operating from overseas locations and under Indian sovereign status. The loans will be less visible, completely unregulated and much more expensive than products offered today by OCLA members. I fail to understand how this scenario helps Ohio consumers.

Please allow me to begin with an excerpt from my previous appearance:

For the last 18 months, OCLA, actively and in good-faith, participated in a number of Interested Party Meetings with members of leadership. Significant progress and compromise came out of those meetings. Compromises such as extended payment plans, longer minimum loan terms, loan repayment in installments, no prepayment penalties, additional disclosure documents, financial

education programs and fee caps; all of which were positive for Ohio consumers and evidence OCLA member-companies' considerable willingness to compromise to improve the consumer experience with small dollar loan products.

- ***What OCLA supports***

- Capping the high rates being charged by the outliers in our industry.
- Ending the so-called "cycle of debt" by creating an exit-ramp through payment plans for those who need them. Putting this in the law and requiring its clear disclosure to customers will be a powerful step toward enhanced consumer protections.
- Providing financial education, as part of the long game, so consumers better understand how to use the variety of financial products available to them and manage their finances.
- And finally, we kill payday lending. Let me say that again; we support eliminating the short-term, two-week loans that give payday lending its name. We support an installment payment loan that comes with a straight-forward, easy to understand fee.

- ***What OCLA opposes***

- The overall plan being promoted by Pew, has never been successfully implemented anywhere. It just failed in the California statehouse. Pew is promoting an untested approach; this from an organization that has never held a license nor made a loan. Again, Pew is trying to design a product without taking into account or understanding the market. A \$500.00 loan with a six-month term at 28% interest plus a 5% monthly fee might sound good in a sound-bite, but it is neither a sustainable business model nor will the average consumer understand it in the same way that they understand a simple fee-based financial product.
- Our industry is against the proposed rate cap. Currently there are CSO-based loan products in Ohio that charge as much as 677% APR. HB 123 proposes a 124% rate cap. Why not look at a reasonable compromise position? One that would still put Ohio in the middle of all regulated markets in the country.
- The database, as both the OCLA and Pew have said, is an invasion of privacy and provides no meaningful solution or outcome. It is important that this Committee not be fooled into thinking that illegal lending is not a major threat. And, of course, those illegal loans will never make their way into the database. If you take away the licensed and regulated products from the public and make no mistake that is what HB 123 will do, consumers will have to turn somewhere when they need short

term access to credit and cash. If the House version of HB 123 is enacted, illegal, unregulated, and expensive lending will flourish.

- *So, what is the path forward?*

Let's deal in the facts, not in a dream world or ideology. Let's work together to solve the real problems: Cap the high rates charged by outliers; end the cycle of debt with payment plans for those who need it; provide financial education programs; and end payday lending, which is what Ohioans voted for in 2008.

Together we can create a safe, vibrant credit market for the 1 million of your constituents who need access to short term credit. Don't open Ohio to unregulated lenders. And let's keep it simple: We are talking about small, unsecured loans that the consumers of Ohio want, need, use and understand. Let's stop the sensationalism and focus on solutions. Thank you for your time today.

July 9, 2018, Let's set the record straight:

Before I add to my previous comments, I feel a duty to answer the questions this committee has asked of other witnesses and either received no answer, or one so qualified and obscured that it is not the truth. Please turn to the attachment entitled 'The Chairman's answers.'

- Obviously, the previous witness simply chose to dodge the truth. Senator Huffman's bill would meaningfully change the status quo in Ohio.

Next, Senator Coley deserves a straight answer to his question. "Please tell me where I can look and see HB123 working in another state." The witness said "It was modeled after Colorado." Please turn to the attachment entitled 'Colorado summary.' Also, please see the detailed document provided to Representative Seitz during the house IP meetings.

- Obviously, this was another 'qualified answer.'

Lastly, Senator Dolan deserves a straight answer to his question. Which I will paraphrase, does Pew have any direct or indirect financial incentive in its advocacy on this matter and are they related to any other interested party. The witness said "NO." Please consider the testimony of Mr. Cheney Pruett.

- This is a serious issue that should be explored. It is the second time the witness has been asked the question and the second time he has denied any financial incentive. Please see the following text from Pew's website:

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<http://www.pewtrusts.org/>

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Let's review today's news:

Please review the coverage of these proceedings from the Ohio Press. They raise several serious issues.

- **High interest in a compromise:** Ohio Senate Republicans, who have been wary that provisions in a payday loan bill will end the industry in Ohio, have reached out to Pew Charitable Trusts to work on a compromise, [Pew tells cleveland.com's Laura Hancock](#)
- The details are being finished by staff and senators, and the proposal will be made public Monday or Tuesday, a spokesman for Senate Republicans said.
- "I can say that that Senate leadership has dug into this issue, and they've taken a really thoughtful approach," Horowitz said. "While we have to see final language still, everything they're saying sounds like this is going to be a fair compromise. That means there would be more revenue to lenders than H.B. 123. At the same time, there would be strong consumer protections in the bill."

Since we have been defining terms carefully in these proceedings, let's refer to Merriam-Webster online:

- **Definition of compromise**
 - 1a** : settlement of differences by [arbitration](#) or by consent reached by mutual concessions
 - b** : something [intermediate](#) between or blending qualities of two different things

Let me be crystal clear. OCLA and the Industry have not been included in ANY discussions with Senate Leadership about the "compromise" Pew has reported to multiple Ohio Press outlets. We have advocated for reform, we have done all asked of us at every step of the way. This is not fair dealing if what is reported is true. As you can see above, "mutual

concessions” are the art of compromise and if only one party is in the room, then by definition compromise is not possible.

As second issue in the coverage of these proceedings from the Ohio Press:

- After Rosenberger's resignation, H.B. 123 was rocketed out of committee and the [Ohio House with no changes](#) - highly unusual for a bill that was so loathed by the payday lending industry. - Cleveland.com
- Introduced in March of 2017, House Bill 123 sat dormant for about a year before picking up steam following the resignation of Cliff Rosenberger, R-Clarksville, as House speaker. He quit amid reports that the FBI was investigating international travel that was paid for in part by lobbyists for the payday loan industry. -Columbus Dispatch

Let me be equally clear. OCLA nor Community Choice had any hand in Speaker Rosenberger’s resignation. Having no first-hand knowledge of the matter I, unlike other witnesses, will choose not to comment. It must be said though that punishing an entire industry over the behavior of a few individuals is wrong.

The spirit of good policy and reasonable reform drives my appearance today. Consider all that you have heard, which has been proven to be true and which has proven to be qualified, obscured or downright false. Please consider your sources carefully. This issue is serious. It is timely in the American discourse and relevant to many of your constituents. OCLA remains ready to work towards a good solution.

Thank you