



House Financial Institutions Committee

Chairman Jeff LaRe

Proponent Testimony on House Bill 182

Ohio Financial Services Association

May 21, 2024

Chairman LaRe, Vice Chairman Pizzulli, Ranking Member Dell'Aquila, and members of House Financial Institutions Committee, my name is Ric Baird, and I am the Executive Vice President of the Ohio Financial Services Association. Thank you for the opportunity to provide testimony in support of House Bill 182.

The Ohio Financial Services Association (OFSA) was established in 1915. With over 100 years of consumer-focused, community-based lending and millions of consumers in the state, we are the largest non-depository personal lenders in Ohio. OFSA members have a proven track record of helping consumers find access to affordable credit. While we serve a wide range of borrowers, our typical customers are hard-working Ohioans with near-prime credit scores, working in the healthcare, manufacturing, education, and government industries, amongst others.

Simply put, OFSA member companies make consumer installment loans. Among these loans are personal loans, retail installment financing, and automobile loans, both secured and unsecured. Our members have long maintained a presence in their local communities. They have very frequent, often lifelong, interaction with their customers.

Although loan characteristics do vary, common loan terms for our members range from 12 months to five years. The loan amount typically ranges from \$2,000 to \$8,000. Our members offer installment loans, meaning that they are payable in equal monthly installments over the term of the loan. In addition, OFSA members are full-service lenders, meaning they do not sell the loans and therefore remain the servicer, being fully invested in the success of their customers. This results in our members making better decisions on the credit quality of the borrower and the loan parameters because they hold the loan and have a vested interest in seeing the loan repaid.

OFSA members are licensed, supervised, and actively examined by the Division of Financial Institutions within the Ohio Department of Commerce. We are also subject to state laws, including the Consumer Installment Loan Act and the Retail Installment Sales Act, as well as federal laws such as the Truth-In-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, and more. Consequently, OFSA members spend a great deal of time and resources on compliance with state and federal laws and responding to examinations by our regulators.

Today, our members operate under the Consumer Installment Loan Act (CILA), which was established in 2017. With input from our regulators at the Division of Financial Institutions within the Ohio Department of Commerce, OFSA supported the creation of CILA to separate our specific consumer installment loan products from the numerous options on the lending spectrum that operated under the Ohio Mortgage Loan Act (OMLA). The Consumer Installment Loan Act incorporated existing regulations from the OMLA and added many new provisions, including adding a regulatory framework for loans for minimum term of six months and prohibiting a loan from being refinanced within the first 120 days of the loan term, among others. The new additions ensured CILA would only be applied to longer-term installment loans, differentiating OFSA lenders from others in the lending space.

House Bill 182 updates the original language passed in S.B. 24, 132<sup>nd</sup> General Assembly, that created CILA and brings Ohio in line with the majority of states when it comes to installment lending regulations.

Along with several other CILA provisions, H.B. 182 will modernize bona fide error correction, stating that a lender who corrects the error within a reasonable time frame will not be considered to have violated the law. This provision already exists for other depository lenders in Ohio as well as under the Federal Truth-in-Lending Act.

H.B. 182 would allow an increase in the maximum interest rate a lender can charge from 25-percent to 36-percent. This change would bring Ohio in line with 30 other states which have rates at or above 36-percent as part of their statutes or regulatory rules, opening access to safe and regulated credit to many more Ohioans.

H.B. 182 would permit, rather than require, CILA lenders to apply payments made by the borrower for an interest-bearing loan to unpaid charges first, then to the interest, and lastly, to the principal balance. This change would allow OFSA lenders to apply payments in methods that are more favorable to consumers, such as applying excess payments to the outstanding principal balance before unpaid charges, which would reduce future interest costs to the consumer.

H.B. 182 would provide clarification to lenders by permitting a CILA lender to convert a precomputed loan to an interest-bearing loan, if the precomputed loan has been accelerated, and after a refund has been provided to the borrower.

Additionally, H.B. 182 makes it clear that lenders are permitted to charge and collect fees on refinanced loans. This language updates the statute to reflect current industry practices and terminology as installment lenders do not renew loans but instead solely refinance them, as a refinanced loan is in and of itself a new loan or new extension of credit. Without this clarification, fees and charges could be interpreted as impermissible when a loan is refinanced.

Finally, H.B. 182 removes the condition that, when a CILA lender pursues legal action regarding a loan, attorney's fees can be collected only if the lender becomes entitled to it by law. The current phrasing has caused confusion in the courts throughout Ohio, with different interpretations from judges as to whether they can permit attorney's fees. The change included in H.B. 182 clarifies that the courts are the arbiter of whether or not to award attorney's fees, if such have been properly contracted for and subsequently incurred.

The Association and its members have a long, distinguished history of helping Ohioans get access to affordable credit and being the voice of small business in our communities. H.B. 182 will allow OFSA members to continue helping Ohioans have access to credit from their local lenders. I would like to thank the committee for its consideration of House Bill 182 and respectfully ask for your support. I would be happy to answer any questions you may have.