

## MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairperson Pete DeGraaf at 3:35pm on Thursday, March 13, 2014, 152-S of the Capitol.

All members were present except:

- Representative Gene Suellentrop – Excused
- Representative Stan Frownfelter – Excused
- Representative Pam Curtis, appointed substitute member to the committee

Committee staff present:

- Matt Sterling, Office of Revisor
- Gary Deeter, Committee Assistant
- Heather O'Hara, Legislative Research
- Ken Wilke, Office of Revisor
- Iraida Orr, Legislative Research

Conferees appearing before the Committee:

- Don Woodard, Speaker, Kansas Silver-Haired Legislature
- Ron Gaches, Executive Director, Kansas Association of Financial Services
- Dennis Shaul, National Director, Community Financial Services Association of America
- Professor Brian McCall, University of Oklahoma School of Law and Notre Dame School of Law
- Nick Bourke, Project Director, Pew Charitable Trusts
- Claudette Humphrey, Director, Kansas Loan Pool Project, Catholic Charities, Diocese of Salina

Others in attendance:

[See Attached List](#)

### **Informational briefing on payday and short-installment loans**

The Chair welcomed Don Woodard, who reviewed actions by the Silver Haired Legislature regarding payday loans. ([Attachment 1](#)) He traced the downward cycle of debt by those resorting to payday loans, and he offered several recommendations: reduce the usury rate, set up an electronic database for lenders to track borrowers, and offer a consolidated debt plan. He also provided several documents addressing the issues of payday loans:

- Background of the Silver Haired Legislature, ([Attachment 2](#)).
- The Kansas Consumer Credit Code, ([Attachment 3](#))
- A sample payday-loan bill, ([Attachment 4](#))
- A supplemental note on the bill, ([Attachment 5](#)) and
- A compendium of state laws regarding payday loans provided by the National Conference of State Legislatures. ([Attachment 6](#))

Ron Gaches introduced two colleagues: Phillip Holt, Director, National Installment Lenders Association, and Dr. Rickie Keys, Founder of Renewal Financial, a financial literacy program; he then offered a proposal to authorize a new category of small installment loan lenders and provided details

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## CONTINUATION SHEET

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augmenting the proposal. ([Attachment 7](#)) Mr. Gaches also recommended Dr. Keys' program, a series of adult-education tools to tutor consumers in wisely handling their finances. Dr. Keys spoke briefly, commenting that his service is unique within the installment-loan industry.

Dennis Shaul testified regarding the value of payday loans. ([Attachment 8](#)) He commented that consumers choose payday loans because such loans are less expensive than unregulated loans, overdraft fees, bounced checks, or late payments to credit cards. He cited a Harris poll finding that a majority of payday-loan consumers are satisfied with their experience, and he took issue with Pew Research conclusions. He stated that problems with payday loans can be solved by competition.

Professor Brian McCall provided a history of usury and the changing cultural attitudes toward debt from stigma to upward mobility. ([Attachment 9](#)) He commented on two arguments against usury: commutative justice (violating the innate equity in transactions between individuals) and distributive justice (unfairly transferring wealth from the most needy to the wealthy).

Nick Bourke referenced three reports by Pew Charitable Trusts: *Payday Lending In America*, commenting that payday loans are an unaffordable burden and that lump-sum payday loans are failed products. ([Attachment 10](#)) ([Attachment 11](#)) He then offered recommendations to remedy current practices, such as limiting payments to no more than 5% of a person's monthly income, and he offered Colorado's experience as a positive case study.

Claudette Humphrey related her experiences as an example of the deleterious effects of payday loans and commented on the value of the Kansas Loan Pool Project of Catholic Charities. ([Attachment 12](#))

Conferees responded to members' questions:

- If there were no payday loans, individuals would find loans online that would be less favorable to them. (Mr. Shaul)
- Payday-loan fees are higher because of infrastructure expenses. (Mr. Shaul)
- Default rates for his agency are 16-18%. There is no recourse for signature loans. Using a thorough interview process, fewer than 50% of applicants are approved. (Mr. Gaches)
- One step in reform is to make origination fees refundable. (Mr. Bourke)

The following individuals submitted written testimony opposing payday loans:

- Kelley Johnson, ([Attachment 13](#))
- Lori Mobley, ([Attachment 14](#)) and
- Jeannette Ewert. ([Attachment 15](#))

The following submitted written testimony explaining the value of linking insurance services with installment loans:

- Scott Cipinko, CEO, Consumer Credit Industry Association. ([Attachment 16](#))

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The meeting was adjourned at 5:03 p.m. No further meeting was scheduled.