



Good Morning. My name is Ken Williams and I am the President and CEO of Catholic Charities of Northeast Kansas. During the past three years, Catholic Charities has spent significant time and resources developing new financial literacy programs designed to help financially empower families across Northeast Kansas. This includes helping those we serve to better understand various financial products and how to best manage their own family budgets and finances. As a part of my role leading Catholic Charities, I supervise the Kansas Loan Pool Project of Northeast Kansas, a program designed to combat payday lending in our community. The Kansas Loan Pool Project was jointly launched in Northeast Kansas by Catholic Charities and Country Club Bank. Those served by this program have their high interest payday loans payed off and replaced by a fixed 6% rate loan. We have helped more than 100 families refinance more than \$150,000 in predatory loans in the year and a half since we started. Needless to say, this program has quickly grown as many of the families we serve find themselves stuck in a cycle of debt with no end in sight. Operating the Kansas Loan Pool Project has provided Catholic Charities meaningful insight with respect to predatory lender practices and how difficult it can be to navigate through their systems. In particular, how difficult it can be for loan recipients to pay off their payday loans.

Since the program's inception we have had to continually jump through ever changing hoops in order to assist individuals in paying off their loans. Although most payday loan stores operate similarly, they vary widely in their final payoff calculations and methodology. Some stores compound interest on a daily basis, while others calculate interest using a two week cycle. This can make estimating the final payoff very difficult. In addition, determining supplemental fees assessed to the payoff process varies a great deal. Many times a "payoff" fee is assessed that was not included in the payoff quote provided by a Payday Store representative whether by telephone or in person just a few days earlier. We have attempted to pay off payday loans that were scheduled for regular electronic draw from a person's account on the 15<sup>th</sup> only to find out the draw was performed on the 13<sup>th</sup> of the month which included interest and/or fees the early payoff would have avoided and of course, rendering the payoff calculation inaccurate. With each new storefront that we encounter there seems to be a new set of rules, processes, calculations and issues that we must navigate in simply trying to pay off the loan.

More than a third of our clients for the Kansas Loan Pool project are elderly or disabled surviving on a fixed income. We frequently hear that they did not understand the costs, fees and rules associated with their payday loan. The customer service representatives in these predatory lending establishments work hard to be friendly with the consumer but routinely provide a cursory review of the paperwork. Many times we have to comb through the loan documents to help payday loan recipients determine what they are actually paying per month or year. Recently we had an elderly woman in Emporia who had paid \$4,230 in interest over the past three years. She never missed a payment and the original loan was for \$500. She had no idea that she had paid this much and without Catholic Charities breaking down what she had been paying, and refinancing the loan in our Kansas Loan Pool Project, she would still be paying on what in effect had become a lifetime annuity profit stream for the payday lender.

With the help of the great people of Capital City Bank, Catholic Charities Kansas Loan Pool project recently expanded into Topeka. Our future plans include expansion into Leavenworth, Lawrence and Emporia. Unlike the banking industry, we do not celebrate the expansion of this program. Expansion doesn't promise future earnings for our organization. Instead, operating the Kansas Loan Pool project siphons precious financial resources that would otherwise be used to help feed, clothe and shelter those living on the fringes. Unfortunately, we have no choice. Payday lenders state that the people they serve deserve access to credit. We agree, but it needs to be fair credit.

The lack of regulation in terms of how predatory lenders can assess fees, compound interest, or structure payoffs results in many Kansas families falling into a debt cycle that is nearly impossible to break. We need legislation that forces some standardization for payday lending products. We need legislation that is very specific in terms of what this industry can and cannot do. Lastly, but very importantly, we need legislation that results in effective enforcement of existing and new laws designed to regulate the payday lending industry and protect all Kansans preyed upon by this industry.

On behalf of Catholic Charities of Northeast Kansas, I respectfully request your support of proposed House Bill 2267.