**Testimony of Julie Townsend, Advance America, on HB 2267**
**Special Committee on Financial Institutions and Insurance**
**October 11, 2017**

Mr. Chairman, committee members, thank you for the opportunity to express opposition to HB 2267, which would greatly reduce access to short-term credit in Kansas.

According to the federal Consumer Financial Protection Bureau, or CFPB, more than 40 percent of American adults struggle to make ends meet, and they rely on a variety of credit solutions to manage their finances. Advance America provides consumers with critical access to credit in the form of short-term, small-dollar loan options, including cash advances – more commonly known as "payday" loans. We operate in 28 states, including 46 storefronts in Kansas.

Our cash advance service helps hardworking Kansas families manage periodic financial challenges and unplanned financial obligations, from medical expenses to car and home repairs. Customers choose cash advances because they are reliable, transparent and cost-effective. Our advance involves a one-time fee – $15.00 per $100 borrowed in Kansas – that does not compound interest, and the loan is typically repaid in two weeks. Whether a customer repays their loan in three days or 30 days, they pay the same one-time fee.

Advance America's customers are from middle-income, educated, working families. They are hardworking individuals – teachers, nurses, first responders, your neighbors and friends – with a median household income over $49,000. 70 percent of our customers own their own home, and 93 percent have a high school diploma or higher. In order to use our services, they must have an active checking account and source of income.

Our employees sit down with every customer to assess their needs, whether it's an emergency expense or help smoothing their income over a period of time to help bridge the gap between paychecks. Many borrow from us once, repay their loan and we never see them again. Our customer satisfaction and repayment rates are both above 90 percent, indicating that our customers understand the costs involved with our service, and choose it because it makes personal and economic sense. This reflects how well Kansas' existing short-term lending statute effectively balances residents' ability to access credit with meaningful consumer protection.

In addition to being a source of credit for thousands of Kansas residents, the short-term lending industry makes significant contributions to the state's economy, including adding $180.9 million to the state's GDP, and paying $11 million in taxes and $42.2 million in labor income. Advance America alone employs nearly 100 people across Kansas.

HB 2267 is not, as some have claimed, a bill to improve the short-term lending industry in Kansas. Rather, it is intended to completely eliminate the industry, reduce financial choice and force consumers to turn to costlier and less regulated forms of short-term credit.

HB 2267 would create an entirely new longer-term loan product for which it is unclear if there is existing consumer demand. It would institute an interest rate cap of 36 percent and mandate monthly payments with monthly fees, eliminating the simplicity of the single-repayment cash advance. These changes would at the very least significantly restrict Kansans' ability to access the short-term loans they prefer and at the worst, effectively eliminate short-term lending in Kansas, causing the closure of many centers and the loss of well-paying jobs across the state. Advance America – and all regulated short-term lenders – could not offer our service under the proposed rate and term structure while still covering our basic operating expenses like wages, rent, utilities, security and supplies.

Critics of the short-term lending industry in Kansas have called for a regulatory model similar to the one used in Colorado, and HB 2267 includes measures that would produce similar consequences for the many Kansans who live paycheck to paycheck. In 2010, Colorado eliminated two-week cash advances and mandated longer-term, six-month installment loans, reducing Coloradans' access to credit and resulting in the closure of more than half of Advance America's stores across the state in a single year. Today, more than a quarter of Advance America customers in Colorado pay their six-month loans off within the first 59 days of the loan in order to re-borrow and avoid incurring monthly maintenance fees. For these customers, the mandatory installment product does not meet their short-term cash flow management needs.

But HB 2267 also includes an interest rate cap designed to resemble that of several states and the District of Columbia with caps of 36 percent on short-term loans. Interest rate caps on short-term loans are intended to serve as effective bans on the service, and have stark unintended consequences, creating an environment that is not economically viable for many lenders, forcing them to close their doors, costing thousands of employees their jobs and leaving consumers with fewer credit options.

Consumers' need for credit does not disappear once regulated short-term credit is restricted or eliminated, whether through mandatory installment loans or arbitrary interest rate caps. Instead, they must suffer the consequences of unmet financial obligations, or be forced to choose costlier or less regulated options, such as expensive overdraft programs, unregulated internet loans or even bankruptcy. States with prohibitions and excessive restrictions on regulated payday loans have reported substantial increases in the number of residents borrowing illegal, unregulated short-term loans.

Many opponents of short-term lending tout programs run by non-profit or charitable organizations as superior alternatives to payday loans. Advance America welcomes competition, and consumers benefit when they have a wide variety of credit options, provided all options are fairly and equitably regulated. However, loans offered by non-profits are not sustainable on their own, nor can they meet the need for short-term loans in Kansas. These groups are able to offer loans below market price because they rely upon charitable donations from foundations, donations from social investors and "crowd funding" to cover operating costs. They are not self-sustaining, cannot offer loans on a broad scale and cannot be considered a legitimate replacement for widely accessible, small-dollar, regulated loans, as evidenced by their relative absence in this market.

Finally, the CFPB last Thursday, October 5, released its final rule governing the short-term lending industry nationwide. This federal rule offers a new set of arbitrary and absurdly complex requirements that preempt existing state laws, and it includes significant restrictions on Americans' ability to borrow short-term loans.

In the wake of the CFPB's rule, now more than ever, it is important for you to protect your constituents' access to credit. You can begin to do so by rejecting HB 2267. This bill will harm Kansas' economy, dramatically restrict or even eliminate an entire industry, and drastically reduce Kansans' financial choice, constricting the credit market and leaving them with little choice but to use more expensive, riskier alternatives.

Thank you.