



OPPOSITION TESTIMONY

House Financial Institutions and Rural Development

HB 2189

An Act concerning the uniform consumer credit code; relating to consumer loans; providing restrictions and requirements for certain alternative small installment loans; requiring lender reporting.

February 22, 2021

**Melissa Soper, Senior Vice President of Public Affairs
CURO Financial Technologies Corp.**

Dear Chairman Kelly and Members of the Committee:

Thank you for the opportunity to submit written comments as well as provide oral testimony for today's hearing on short term credit in Kansas. For the record, my name is Melissa Soper. I am the Senior Vice President of Public Affairs for CURO Financial Technologies Corp. (CURO), one of the businesses impacted by HB 2189.

Founded in 1997 in Wichita, Kansas, CURO is a tech-enabled, multi-channel and multi-product consumer finance company serving a wide range of underbanked consumers in the U.S. and Canada. We offer convenient credit options to subprime borrowers whose needs are not being met by traditional financial institutions. We currently operate through our retail storefronts and online in 34 states and seven Canadian provinces, employing approximately 4,000 people, with 826 team members in our Kansas headquarters.

In Kansas, CURO operates online at www.speedycash.com and through our 10 retail storefronts under the brand name, "Speedy Cash." We are licensed, regulated, and examined by the Kansas Office of State Bank Commissioner, and our consumer lending transactions are governed under the Kansas Uniform Consumer Credit Code (UCCC), which provides for the manner in which credit transactions may be structured, setting limits on fees, interest, and other charges as well as providing for a number of strict consumer protections. Our credit options for Kansans include single payment payday loans, unsecured lines of credit, and auto title loans.

While we offer three credit options to Kansas consumers, a majority of our customers choose a line of credit because it provides the most flexibility. The line of credit product functions much like a credit card.

- Customers must qualify and be approved for a specific credit limit. The customer may then draw the funds they need paying interest only on the outstanding principal amount. For example, a customer is approved for a line of credit of \$700. They draw \$300 on that line of credit. They pay interest only on the \$300 principal amount, not on the total amount approved.
- Customers also have options in how they repay their line of credit. They may pay only the minimum payment due, which includes the interest and a percentage of the principal, or they may pay the entire amount due.
- The cost of the credit is simple. We charge interest of just under one percent per day on the outstanding principal. There are no upfront fees, loan origination fees, or monthly maintenance fees. If a customer needs extra time to repay, they can simply call our stores or call center and we will extend the payment date. We never charge late fees.

As a company, our goal is to work with customers to be successful borrowers; if that means setting up alternative payment schedules to keep an account in good standing, that is what we do because it makes good business sense.

Nonprime consumers in Kansas have a broad range of credit products available to them through state licensed lenders with robust consumer protections. As a state licensed lender, we comply with state regulations and 18 federal laws governing credit transactions, including the *Truth in Lending Act* and the *Fair Debt Collections Practices Act*. We are also routinely audited by both the OSBC and by our federal regulator, the Consumer Financial Protection Bureau.

If passed, HB 2189 will dramatically change the marketplace for small dollar loans in Kansas, making access to credit for nonprime consumers more difficult. HB 2189 eliminates the payday loan product and provides for small dollar loans under \$2,500 only to the most credit worthy of near prime borrowers. Offering small dollar loans under a 36% interest rate with a \$25 underwriting fee and a minimal monthly maintenance fee to risky borrowers is not a viable business model.

The average FICO score of our customer is 575. Credit scores are impacted in many ways and for small dollar loan customers, it is not a true reflection of their ability to repay. To render lending decisions, CURO utilizes information provided by the customer and couples that with a proprietary underwriting model, which takes into account more than a dozen different data points purchased from external subprime specialty credit bureaus.

Operational costs, technology costs, underwriting costs, and the cost of capital make lending to the nonprime customers we serve unprofitable under the provisions of HB 2189. As a lender across several states, I can share a number of examples to demonstrate this point.

- In Virginia, the PEW charitable trusts worked with a bill sponsor to pass a bill similar to HB 2189. On the effective date of the bill, CURO, along with other companies, ceased to offer the line of credit product because it was no longer viable under the new law. The Virginia bill took effect on January 1 of this year so the full impact on consumers and the credit market overall is yet to be measured.
- In California, PEW supported a bill with a 36% rate cap plus the federal funds rate and, an origination fee of \$75. On the bill's effective date, CURO withdrew its existing unsecured installment product and auto title product. Three of the lenders supporting the California bill – OneMain Financial, Oportun, and LendMark – asserted they would meet the needs of the more than \$1 billion in credit that was being provided by nonprime lenders such as CURO. This has not happened according to TransUnion, one of the three main credit bureaus, who just reported on their 2020 loan data (see Attachment) for California, “*In California, new regulation cleared the installment market, pushing traffic to sovereign lenders and payday loans.*” Sovereign lenders are not state regulated, and for California, payday loans are limited to \$255. This is not a solution for nonprime consumers struggling to make ends meet when an unexpected expense arises.

Traditional installment lenders currently offer loans to Kansas consumers, but their loan types and customers are very different from the customers served by CURO. In recent public filings, OneMain reported that their average unsecured loan is \$8,000 with an average term in excess of four years. Their customer's average FICO score is 635. By comparison, the average FICO score of a Speedy Cash customer is 575 in Kansas, and the average approved credit line is less than \$700. Furthermore, OneMain does not offer loans below \$1,500. We serve different customers with different products for very different needs.

In Kansas today, there is a broad spectrum of lenders and a broad spectrum of credit choices that range from a \$500 payday loan to a traditional bank or credit union loan. At the lower end of the FICO scale, consumers access smaller loans with shorter durations. These loans carry higher costs based on the risk and the difficulty in underwriting consumers with thin or no credit files. Consumers with near prime credit scores in the mid 600's access larger loans at lower costs where lenders depend on a longer term to make loans profitable.

Lenders that support HB 2189 are not precluded from offering Speedy Cash customers a lower rate loan today, but they don't. The fact is, we serve different customers on the credit spectrum. Proponents of HB 2189 would simply like companies, like Speedy Cash, to offer loans to high-risk customers at a lower rate – one that is economically not viable. As a public company, it's easy to verify that CURO's annual net income is less than a bank or credit union and also less than the traditional installment lenders, like OneMain.

HB 2189 would eliminate a significant number of small dollar loan options and dramatically change the landscape in Kansas. For this reason and on behalf of my customers and my 826 Kansas team members, **I am asking you to oppose HB 2189.**

Thank you for the opportunity to provide written and oral testimony. I am happy to answer any questions you may have.

Melissa Soper

Melissa Soper
SVP, Public Affairs

Mobile: 610-613-3647
Email: MelissaSoper@curo.com

Attachment:

TransUnion, *Alternative Lending Advisory Board, January 2021 Pulse Check*, January 26, 2021

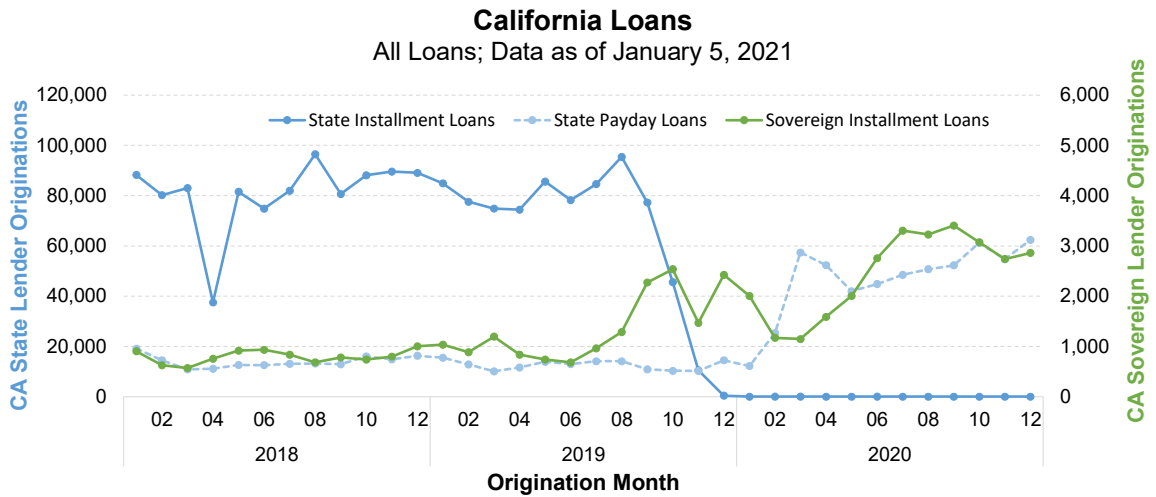
Attachment:

TransUnion, *Alternative Lending Advisory Board, January 2021 Pulse Check*, January 26, 2021

Personal Loans



In California, new regulation cleared the installment market, pushing traffic to sovereign lenders and payday loans



Source: TransUnion alternative credit database

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