



March 1, 2018

Representative Kirk Schuring
Speaker Pro Tempore
77 S. High St
14th Floor
Columbus, OH 43215

Re: Optimizing the environment for safe and affordable installment loans in Ohio

Dear Speaker Schuring:

Members of the American Financial Services Association (“AFSA”),¹ have watched with interest the progress of House Bill 123 which would modify the Short-Term Loan Act to specify a minimum duration requirement for loans made under the Small Loan Law and Mortgage Loan Act. Though we are led to believe that this bill is unlikely to progress further, it has raised issues which are important to our members and I would be grateful if you would allow us to make a number of points about the environment for small dollar loans in Ohio, in the hope that they will usefully inform any current or future lawmaking.

We commend the state on recently passing the Consumer Installment Loan Act (CILA), clarifying the distinction between payday lenders and the traditional installment lenders who make up AFSA’s membership, and we support efforts to make Ohio a more viable market for the provision of safe and affordable small dollar installment loans. It is clear, however, (as demonstrated by the provisions of HB 123), that there is still very much a need for Ohio to take action which would create a space for those installment lenders – especially those who make particularly small loans - who are currently willing but unable to do business in Ohio. Doing so would, of course, increase competition in the state, affecting the availability and price of small dollar credit, and increasing opportunities for financial mobility and empowerment.

This is important because traditional installment loans are seen as among the safest and most affordable sources of small dollar credit for borrowers. Installment lenders underwrite their loans, assessing a borrower’s ability to repay and provide a roadmap out of debt by setting out a schedule of equal repayments comprising both principal and interest, allowing borrowers to avoid the repayment challenges that come with payday or title loans, which require loans to be repaid in full on a certain date through balloon payments. Installment lenders do not require access to a checking account as a condition for making a loan. On top of this, and unlike payday

¹ Founded in 1916, the American Financial Services Association (AFSA), based in Washington, D.C., is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including traditional installment loans, direct and indirect vehicle financing, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans. Many AFSA members are members of the Ohio Financial Services Association. AFSA is commenting on this Ohio-specific matter because we have many other members who do not do business in Ohio due to the state’s laws seemingly not contemplating their business: very small dollar traditional installment lending.

and title lenders, installment lenders report loan performance to credit bureaus, allowing borrowers to build or rehabilitate credit. It is the installment structure that encourages responsible repayment of the loan, avoiding the debt-trap associated with balloon payment on loans that must be repaid all at once.

As they stand, Ohio's laws give consumers few choices for very small-dollar loans, despite enabling the provision of payday and title loans. We welcome the conversation in the state about the best way to preserve wide access to credit alongside robust and effective consumer protections, and would very much like to work with you, alongside our colleagues at the Ohio Financial Services Association, to consider legislative or regulatory options for the provision of small dollar traditional installment loans in Ohio.

Thank you for your time and consideration. I am at your service for further discussion and can be contacted at 952-922-6500 or by email at dfagre@afsamail.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Danielle Fagre Arlowe', written in a cursive style.

Danielle Fagre Arlowe
Senior Vice President
American Financial Services Association
919 Eighteenth Street, NW, Suite 300
Washington, DC 20006

Copy to:

Representative Koehler
Representative Ashford