American Financial Services Association — Protecting Credit Since 1916

August 21, 2019

The Honorable Lorena Gonzalez
Chair, Assembly Appropriations Committee
State Capitol, Room 2114
Sacramento, CA 95814

RE: Oppose Senate Bill 639 (Mitchell), Unless Amended: Financing Healthcare Services

Dear Chairwoman Gonzalez:

I write on behalf of the American Financial Service Association ("AFSA")[1] to oppose SB 639 (Mitchell) unless it is amended. As currently drafted, SB 639 would establish some necessary requirements for healing arts licensees when providing financing for healthcare services to ensure consumers are fully informed, and AFSA supports those provisions. However, the bill would also ban a licensee from arranging healthcare financing through a third-party if the financing contains a deferred-interest feature. AFSA believes this ban would effectively limit the options available to consumers and potentially increase the cost of medical procedures for all Californians.

Under promotional financing plans, including deferred interest plans, monthly payments are typically lower than those made under a standard installment loan. In addition to this benefit, patients pay no interest on the money they borrow until the end of their promotional period, typically anywhere from 12-48 months later. In light of these benefits, it should not be surprising that promotional financing plans are very popular among consumers. For example, a 2015 study by the Consumer Financial Protection Bureau ("CFPB") found that over three-quarters of consumers who choose promotional financing plans pay off the full amount within the promotional period. Additionally, 75% of consumers who avail themselves of a promotional financing plan use it multiple times, and 33% of consumers have used it five or more times.[2]

Banning licensees from arranging financing with this customer friendly and useful financing option could lead to patients to delaying or entirely foregoing necessary treatment or pursuing higher-cost, predatory alternatives. That said, AFSA shares the sponsor's concerns that some consumers who do not fully understand the terms and conditions of promotional financing plans may find themselves owing more than expected. To that end, AFSA believes that increasing consumer choice and awareness through enhanced disclosure is a better solution than banning certain types of promotional financing altogether.

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[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 direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans

[2] See, Consumer Financial Protection Bureau, *The Consumer Credit Card Market* (December, 2015).

For example, AFSA would support requiring licensees who arrange financing that includes deferred interest provisions to also offer a standard financing option. Providing multiple financing options, along with detailed disclosures clearly explaining such terms as the monthly payments during and after the promotional period, would give consumers the necessary information to make an informed decision on a financing plan that best fits their unique financial situation.

For the reasons stated above, AFSA respectively urges that you vote no on SB 639 unless it is amended to remove the prohibition on healing arts licensees from arranging deferred interest credit issued by third-parties to pay for healthcare services. If you have questions or would like to further discuss our perspective, please do not hesitate to contact me at 202-469-3198 or eportugal@afsamail.org.

Sincerely,

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CC: Vice Frank Bigelow
Assemblyman Richard Bloom
Assemblyman Rob Bonta
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Assemblyman Ed Chau
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Assemblyman Eduardo Garcia
Assemblyman Brian Maienschein
Assemblywoman Cottie Petrie-Norris
Assemblyman Bill Quirk
Assemblyman Robert Rivas
Assemblyman Bill Brough
Assemblyman Tyler Diep
Assemblyman Vince Fong
Assemblyman Jay Obernolte