



May 7, 2020

The Honorable Ken McClure
Mayor
Busch Municipal Building
840 Boonville Avenue
Springfield, MO 65802

Re: Springfield City Code Chapter 70, Article XVIII ‘Short-Term Loan Establishments’

Dear Mayor McClure,

We write on behalf of the American Financial Services Association¹ and Missouri Installment Lenders Association² to express our serious concerns about a recent Springfield ordinance partially in violation of state law.

The American Financial Services Association (AFSA) is over 100 years old. AFSA’s 350+ members are creditors who provide consumers with many kinds of credit, including traditional installment loans, direct and indirect vehicle financing, mortgages, and payment cards. AFSA members are both non-banks and banks, ranging in size from one-state operations to operations in every state. They serve the entire credit spectrum, from non-prime to super-prime consumers. AFSA does not represent the payday lending or title lending industry. The Missouri Installment Lenders Association (MILA) was founded with the goal and mission to provide financial services to the people of Missouri under the statutes passed by the Missouri legislature and the regulatory framework enforced by the Division of Finance. Like AFSA, MILA does not represent payday or title lenders.

Nonetheless, some of our members—who are not “short term” lenders—are being deemed “short-term loan establishments” by Springfield because they are registered as lenders under state law, but are not banks, credit unions, savings and loan associations, or mortgage originators.³ These members are being classified as short term lenders even though they are not offering short term loans and don’t meet the other qualifications in Springfield’s definition of short-term loan establishment—which is clearly designed to regulate the payday and title loan industries.⁴ These members are being asked to pay a \$5,000 annual permit fee and comply with other onerous requirements.

Our members are traditional installment lenders. Under Missouri law, traditional installment loans are “fixed rate, fully amortized closed-end extensions of direct consumer loans”⁵ and are regulated by the Missouri Division of Finance. By definition, these loans cannot have a full repayment term under 91 days, have a repayment term

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.

² The Missouri Installment Lenders Association was organized in 1985 by lenders who recognized the need for a united voice, a united vision and the ability to serve consumers in Missouri.

³ Short-Term Loan Establishment means an establishment which: (a) engages in the business of providing money to customers on a temporary basis, wherein such loans are secured by post-dated check, paycheck, or car title, or (b) is registered as a lender under state or federal law. This classification does not include a state or federally chartered bank, savings and loan association, credit union, mortgage broker, or mortgage originator.

⁴ Our members do not, for example, secure loans with post-dated checks or paychecks, or require access to a borrower’s bank account as a condition of the loan. Traditional installment loans, unlike payday loans, are fully amortized loans repaid in affordable, equal amounts composed of principal and interest. Unlike payday lenders, traditional installment lenders do not require balloon payments, and they report payment behavior to credit bureaus.

⁵ MO Rev Stat § 408.512.3.

under 181 days and be secured by a vehicle, require a borrower at origination to preauthorize automatic bank withdrawals, or be connected to the borrower's next payday.⁶

The EXACT same section of Missouri code⁷ that defines traditional installment loans outlines what local governments like Springfield cannot do:

No charter provision, ordinance, rule, order, permit, policy, guideline, or other governmental action of any political subdivision of the state, local government, **city**, county, or any agency, authority, board, commission, department, or officer thereof **shall**:

- (1) **Prevent, restrict, or discourage traditional installment loan lenders** from lending under sections 408.100, 408.140, and 408.170;
- (2) **Prevent, restrict, or discourage** traditional installment loan lenders from operating in any location where any lender who makes loans payable in equal installments over more than ninety days is permitted; or
- (3) **Create disincentives for any traditional installment loan lender from engaging in lending** under sections 408.100, 408.140, and 408.170.

The provisions of this subsection shall not apply where a charter provision or valid ordinance as of August 28, 2014, expressly applies to traditional installment loan lenders.

Springfield's ordinance, or any interpretation thereof applying its requirements to traditional installment lenders, is precisely what the state legislature sought to prevent in the code cited above. By including traditional installment lenders in the definition of short-term loan establishment, whether directly in the definition or only through its application, Springfield City Code Chapter 70, Article XVIII is in clear conflict with state law.

We urge you to promptly amend your ordinance, or to interpret it in a manner that is consistent with Missouri law, by not requiring traditional installment lenders to pay a \$5,000 annual permit fee and meet specific location and signage requirements.

Thank you for your time and attention to this matter. If you have any questions or if AFSA or MILA can be of any further assistance to you, please do not hesitate to contact us.

Sincerely,



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CC:
Springfield City Council
Jason Gage, City Manager

⁶ MO Rev Stat § 408.512.3(3).

⁷ MO Rev Stat § 408.512.3(2). (emphasis added).