AMERICAN FINANCIAL SERVICES ASSOCIATION

March 3, 2023

Senator Sean M. Bennett
Chairman, Senate Labor and Employment Subcommittee
205 Gressette Bldg.
Columbia, SC 29201

Re: Hearing on Senate Bill 518

Dear Chairman Bennett:

On behalf of the American Financial Services Association ("AFSA")[1] thank you again for the opportunity to testify at the Labor & Employment Subcommittee hearing earlier this week on S 518.

Attached and linked for your reference are some of the resources I outlined in my testimony, including:

- The United States Federal Reserve economist research stating "a loan amount of $2,530 is necessary to break even at 36 percent."
- The National Black Caucus of State Legislators resolution BED-16-21 stating "Traditional Installment Lenders should be reasonably protected" and "that the NBCSL supports the expansion of Traditional Installment Loans as an affordable means for borrowers to establish and secure small dollar closed end credit while preventing cycle of debt issues inherent with non-amortizing balloon payment loans."
- The 2022 Congressional Black Caucus Institute Annual Report highlighting the harm of 36% rate caps, saying "proposals to protect consumers from predatory practices through a 36% rate cap . . . cause more harm than help by limiting consumer access to credit."
- The December 2022 Illinois Trends Report from the state showing the 86% reduction in people getting state-regulated and reported loan products since they passed a 36% MAPR in March, 2021.
- A recent independent study on the effects of the Illinois rate cap by a group of economists finding the law "decreased the number of loans to subprime borrowers by 44 percent and increased the average loan size to subprime borrowers by 40 percent," and concluding "the Illinois interest-rate cap of 36 percent significantly decreased the availability of small-dollar credit, particularly to subprime borrowers, and worsened the financial well-being of many consumers."
- The Urban Institute study on the effects of the Military Lending Act (*i.e.* the same MAPR rate cap contemplated in S 518) using credit bureau data from 2013-2021 finding no evidence of

[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, and payment cards. AFSA members include national banks and non-bank state licensed financial institutions. AFSA does not represent payday lenders, title lenders, or credit unions.

decreased collection rates among subprime borrowers, no improvement in credit scores, suggestive evidence that subprime consumers had less access to credit, and noting that expanding the MLA "might have detrimental effects on the most vulnerable consumers by limiting their access to credit in times of need."

Please let me know if I may be of further assistance as you consider this issue. If you have any questions or would like to discuss this further, please do not hesitate to contact me at 952-922-6500 or dfagre@afsamail.org.

Sincerely,

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

cc: Honorable Members of the Senate Labor and Employment Subcommittee