

# **Testimony of the American Financial Services Association in Support of HB 182**

**Before the Ohio House Financial Institutions Committee House**

**May 20, 2024**

The American Financial Services Association (AFSA)<sup>1</sup> is grateful for the opportunity to provide testimony in support of House Bill 182 regarding consumer installment loans, interest rates, refinance charges, and bona fide errors.

We have long believed that the safe and affordable traditional installment loans, made by AFSA members, offer a solution for Ohio lawmakers who wish to develop a strong, modern policy environment in which wide access to credit exists alongside robust consumer protections. HB 182 would facilitate this, amending the provisions of the Ohio Consumer Installment Loan Act (CILA), raising the maximum allowed rate from the current 25 percent to 36 percent Annual Percentage Rate (APR). We believe HB 182 would be a welcome and much-needed move towards modernization of CILA, bringing with it a more sensible balance between consumer protection and access to credit, to the benefit of Ohio consumers.

By updating the rate brackets for loans, Ohio will allow AFSA members the ability to more accurately reflect the cost of providing the loan and bring the state's rate structure closer to a level that would open Ohio's credit market to more responsible, affordable credit options for consumers. In short, it will allow more working Ohioans to qualify for loans under the underwriting processes utilized by AFSA members; processes to which the "ability-to-repay" calculation is central.

---

<sup>1</sup> 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.

Under the current decades-old rate structure, these Ohio borrowers have had limited options for well-structured, smaller loans compared to many other states. Without HB 182, Ohio consumers will continue to look to unlicensed online lenders to fulfill a demand that is constant. These forms of credit are less affordable and less safe than the traditional installment loans offered by AFSA members, which have the added advantage of building credit through the reporting of loan performance to the credit agencies, driving financial mobility.

The effect of increased credit availability of the kind offered by AFSA members, would be increased financial empowerment, resilience and mobility for Ohioans who otherwise have few opportunities for any of these. For this reason, we respectfully request that HB 182 is reported favorably out of your committee.