

PENNSYLVANIA SENATE BANKING COMMITTEE

THE HONORABLE DON WHITE, CHAIRMAN

SEPTEMBER 19, 2012

Testimony submitted by John Rabenold

Mr. Chairman, members of committee, thank you for the opportunity to be here.

My name is John Rabenold and I am the President of the PA Consumer Credit Association and an executive at Axxcess Financial, a consumer loan company headquartered in Cincinnati, OH, a position I've held since 1999.

I will speak briefly in support for HB2191 and am certainly open to questions as you see fit Mr. Chairman.

As an overview, let me first confirm that I am in a 'business' and the purpose of my business is the same purpose as any other business. We supply a demand and expect a return for the risk. I testify today as an expert in short-term credit issues. I make no apologies for that.

Second, this issue is not about "legalizing payday lending". In Pennsylvania, and this is important, payday lending is legal today, occurs every day and does so under state law, federal law and the laws of foreign jurisdictions.

Lastly, there are two groups who are being ignored and disenfranchised by opponents of HB2191 and those they've misled. Ironically, these two classes are two classes of folks that you've expressed a willingness to help.

HB2191 will help "job creators and those who get those jobs" and "actual consumers of short-term credit" who spend more under the status quo and will save money, time and enhanced protections under HB2191.

These issues I'd like to discuss.

Specifically in Pennsylvania, we believe HB2191 will remove the barriers that prevent Pennsylvania-based businesses from investing in Pennsylvania and competing in the market.

By supporting HB2191 you will:

- enable individuals and companies to invest in licenses,
- hire employees,
- acquire real estate through purchase and lease,
- build out retail space and

- consume goods and services provided locally

HB2191 will lead to:

- the expansion of the economy by over \$100,000,000,
- create over 1,000 jobs,
- fund oversight within the department of banking,
- fund financial literacy and CCCS throughout the state
- fund a database to ensure compliance

And despite what the consumer groups have told you, consumers will win too!

- Consumers will pay significantly less in PA under HB2191 than they do today, yesterday, tomorrow in Delaware, Ohio and on-line.
 - And don't let the consumers think that it's a few instances.
 - Look at the border map in Delaware
 - Look at the border map in Ohio
 - Look at the on-line study done by Consumer Federation of America
 - Ask a consumer, a real one, would you rather pay \$60 for a \$300 loan, and drive there at \$4.00 a gallon, or would you rather pay \$42.50?
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But let me re-visit an item of critical importance...the legality of payday lending.

Payday lending is legal.

- It is legal under state law for banks and credit unions.
- It is legal under federal law for banks and credit unions.
- It is legal under Delaware and Ohio law to serve Pennsylvanians across the border.
- It is legal under the laws of Costa Rica, for companies such as mypaydayloan.com.
- It is legal under the laws of the Chippewa Cree, for companies such as plaingreenloans.com.
- And some argue that it is legal under the laws of other states where consumers may shop on-line, evidenced by the commercial I think all of us have seen starring Montel Williams.

So who makes payday loans in this state today?

As proof, let's start with credit unions, who in their memo of Sept. 11 of this year, state "credit unions provide short-term, small dollar loans."

They rebut my labeling them as "payday lenders"; however, they are "the most prolific payday lenders in the Commonwealth" offering payday loans across the state since 2006.

Whether it's Better Choice loans or charging fees for extending credit for a short period of time, credit unions recognize that consumers demand and deserve credit. That was the point I was trying to make. Credit unions are meeting a demand.

And I learned something from their memo. I learned...

- An elected official “agreed to invest \$20,000,000 of taxpayer funds in the credit union system in exchange for the creation of the Better Choice program”.
- “These funds were used to partially offset the loan losses”.

So in other words, the taxpayer guaranteed a return of 18% plus \$25 for every member who enters the program. Not a bad deal in a bad economy. If you want to underwrite my losses, I’ll take their deal.

But others make cash advances that you may not think of, including an opponent of HB2191, the AARP, and they have no interest in complying with HB 2191.

There are a number of ironies with this product, given their public testimony as consumer advocates.

The AARP offer its members Cash Advances through their bank partnership, JP Morgan Chase.

- They oppose the “balloon payment” required under HB2191, yet they accept balloon payments on their cash advance. Its actually the cheapest if you pay in full because the debt will accrue at 24.99-29.99% annually. 2191 forbids accrual of interest, or charging of interest for that matter.
- They oppose “rollovers” yet you can roll over your cash advance debt. 2191 forbids rollovers.
- They oppose this particular extension of credit, yet if you have a cash advance you can also get more credit on the same credit card. 2191 forbids accruing additional debt.

The bottom line is the AARP cash advance costs more or less than 2191 loans but the consumers and the state loses the following benefits...

The state loses:

- Licensing revenue
- Oversight authority
- Compliance with consumer protections
- Verification of outstanding loan data.

Consumers lose:

- Extended payment plans at no cost. AARP charges 29.99% for their Penalty APR.
- Funding for financial literacy efforts.
- Limits on consumer from obtaining excessive amounts of credit.
- The right to rescind a cash advance and all the other consumer protections.

The Legislature is certainly entitled to pick winners and losers. But there is a level playing field that is needed and the consumer benefits with more options at cheaper rates and better terms.

As for the opposition, I am sorry to be the messenger of bad news, and I understand the predicament that you as elected officials may find you in, but a lot of these groups have been misled. I am sorry it happened. HB2191 is a tough bill. And consumers will continue to use short-term loans where ever they can get them to avoid the more expensive fees associated with bouncing checks, making late payments or exceeding their credit limits.

So let me close.

- Payday lending is legal in this state in a variety of forms. HB2191 removes the barriers of entry for state-based business to compete in a rigid and regulated industry.
- Consumers of short-term loans prefer less expensive credit to more expensive credit. HB2191 lowers the cost for consumers of short-term loans.
- Consumers do not benefit from the consumer protections that the opposition cites because no loans are made under that particular act. HB2191 provides a long list of consumer protections that are clearly superior to the status quo.

There are a lot of victories to be had here in this bill. With passage of this bill and this is irrefutable... over 1,000 of your constituents will apply for jobs and tens of thousands of your constituents will have a cheaper alternative of credit with better regulations and oversight. Thank you.