

January 22, 2008
Mr. Terrence Jent

Financial Institutions, Real Estate and Securities Committee
Ohio House of Representatives
Proponent Testimony re: HB 358 (Yates)

Chairman Widener, Vice-Chairman Evans, Ranking Member Budish, good afternoon. My name is Terrence Jent, and I am here to testify today on behalf of House Bill 358, the Payday Lending Fairness and Accountability Act. I have spent the last four years working in the payday loan industry. I started working in the industry as a store manager during my last semester of college and quickly worked my way into district and regional management positions for two major players in the industry. I've worked in the states of Indiana, Illinois, New Mexico, and Ohio. This is an industry that has seen record setting profits and explosive growth. When I began working in the industry most of the locations were centered in larger cities. Now you can drive to nearly any town in Ohio and find multiple lenders. Payday lenders now have more retail locations in Ohio than McDonald's and Wendy's combined.

Payday lenders rely on their ability to trap customers in a cycle of debt. The typical payday loan customer does not take out a loan, pay it off, and never come back. Most payday loan customers get caught in a revolving door of debt. The quick access to cash makes it an easy outlet for anyone in need. This short-term loan quickly turns into a second income for the borrower. They become dependent on the ability to take the loan out every two weeks, just to make ends meet. Once they're caught in the cycle, the profits begin to accumulate for the payday lender. In one year, an individual caught in the trap with an \$800 loan will pay up to \$2925 in fees alone, never touching the principal of \$800.

Payday lenders prey upon the financially troubled and the financially uneducated consumer. Nearly one-half of the payday loan customers at both of the companies I've worked for were individuals that were drawing some form of Social Security or other retirement benefit. These companies openly issue loans to individuals drawing worker's compensation, unemployment benefits, and dependent supplemental income. Payday lenders issue loans based upon an archaic gross or net wage calculation. What payday lenders fail to take into consideration is the person's ability to pay the loan back in two weeks. To make matters worse, both of the companies I've worked for had policies that dictated giving loans to individuals who were already in the negative on their checking account. These predatory payday lenders prey on the financially overwhelmed. If a payday lender believes a person can pay the finance charge in two weeks to continue the cycle, they will issue the loan, regardless of the borrower's financial position or ability to repay.

Payday lenders openly advertise a convenient and friendly atmosphere. Most payday lenders have taken on the "bank model" by building stores that resemble an environment similar to a bank. You'll be greeted by friendly faces that are

more than willing to provide financial assistance. However, if you default on your loan you will quickly see the true colors of your payday lender. You will receive harassing phone calls three to four times a day. All of your personal references will receive phone calls each day. You will be visited at work in an attempt to embarrass you into paying your loan. You will be visited at your home so that you understand the payday lender knows where you live. I was always taught to tell the customers who inquire about collection practices that we were flexible and more than willing to work with them to take care of their debt. This is the exact opposite of what really takes place. In my most recent position I was told to have my employee's state that they were "investigators" when they made collection calls. This was thought to intimidate customers into paying their loans.

These harassing collection procedures are never disclosed to customers when the loans are issued. Employees are expected to keep the façade of a friendly, customer focused environment until the individual defaults on a loan. Once a loan is defaulted upon, branch employees were expected to do whatever was necessary to collect the debt. The most successful collection tool for a payday lender is the ability to electronically debit a customer's account. Again, this was never disclosed to the customer when the loan was originated. It was simply incorporated into the multiple pages of fine print, within the loan agreement. In my most recent position here in Ohio, we openly instructed customers to go to another borrower for money if they were unable to pay their loan. These predatory payday lenders would rather drive a person deeper into the cycle of debt than spend the time finding a real solution to the problem.

Since the predatory payday lenders avoid the responsibility of improving an individual's financial position, we are beginning to see states step in to protect these unknowing consumers. Nearly every state I've worked in has enacted legislation to stop the cycle of debt and establish regulatory guidelines for predatory payday lenders. The only exception is Ohio. With this in mind, I support the pioneering efforts HB 358. I also support the efforts of HB 333. Both of these bills are engrained with measures that will protect Ohioans from predatory payday loans. The only way to accomplish what is right and just for the people of Ohio is to cap the annual percentage rate at 36% or 25%. There are thousands of financial institutions that adhere to similar guidelines and they are still profitable. My question to the committee is why should predatory payday lenders, with exorbitant profits, be exempt from the same type of regulation?

I hope that you will support the efforts of either of the above mentioned bills and cap the annual percentage rate for payday loans. Payday lenders will chastise these efforts claiming that it will drive them out of business. I would ask that they look into the efforts of Prospera Credit Union in Appleton, WI. Prospera makes an important point when they say you cannot regulate the predatory payday lenders out of business. However, you can compete with them. Passage of either bill would provide an environment of competition. These bills will level the playing field and open the doors to innovative, consumer-friendly financial products like the Good Money program at Prospera. Thank you for your time and consideration.

