

MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Arlen Siegfried at 1:30 P.M. on March 26, 2008, in Room 313-S of the Capitol.

All members were present except: Representative Mike Peterson - excused
Representative Rob Olson-excused

Committee staff present:

Dennis Hodgins, Kansas Legislative Research Department
Mike Heim, Revisor of Statutes Office
Jason Long, Revisor of Statutes Office
Jeannie Dillon, Committee Assistant

Conferees: Representative Melody McCray-Miller
Lori Lawrence, concerned citizen
April Holman, KS Action for Children
Rickie Coleman, Sunflower Community Action
Osjha Anderson, Anderson Financial Services
Robin Waller
Thomas Steele, General Counsel of Tiger Financial Management

Others attending: See attached list

Chairman Siegfried opened the public hearing on **HB 2245 - Vehicle title loans, regulation of.** The Chairman asked Mike Heim, Advisor of Statutes, to explain the bill. Mr. Heim briefed the Committee on the following parts of the bill:

- Definition and provisions of title loans.
- Information printed on all title loan agreements.
- The interest charged, extensions, duration and payment of the loan.
- Penalties and repossession regulations.

Representative Melody McCray-Miller addressed the Committee as a proponent to **HB 2245.** She stated that in her opinion auto title lending is considered to be another form of predatory lending. Holding a "live" check as collateral is one thing, securing a first lien on a person's only mode of transportation is clearly another. An auto title loan is often viewed as the most harmful because of excessive fees that are easily hidden. These excessive fees make it difficult to pay down the principal balance. Ms. McCray-Miller strongly urged the support of the Committee in passing **HB 2245.** Representative McCray-Miller submitted a fiscal note that explains the new section to the Kansas Uniform Consumer Credit Code and adds additional criteria for lenders engaged in auto title lending. ([Attachment 1](#))

Lori Lawrence came before the Committee to testify in favor of **HB 2245.** She told the Committee that when she asked about a loan of \$2000, she was told the monthly payment would be \$450 dollars and if she paid that amount she would still owe all of the principal. ([Attachment 2](#))

April Holman, on behalf of Kansas Action for Children (KAC), testified in support of **HB 2245.** Ms. Holman stated that KAC is a not-for-profit child advocacy organization that has been in existence since 1979. KAC promotes policies that aid family economic stability because instability creates stress and the potential for harm to children through less consistent medical care, fewer opportunities for early learning and the potential for lower performance in school. Her organization supports **HB 2245** as an important protection against lending practices that prey on a borrower's limited access to credit with aggressive and sometimes deceptive marketing and high interest rates. ([Attachment 3](#))

Rickie Coleman, representing Sunflower Community Action (SCA) in Wichita, Kansas, testified as a

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on March 26, 2008, in Room 313-S of the Capitol.

proponent of the bill. He stated that SCA sees in the mortgage market, high interest rate loans and no checks on a consumer's ability to repay the loans. The same is true with auto title loans. The problem is that borrowers get trapped in this downward spiral. They pay far more in fees and interest than the amount they borrowed. Mr. Coleman asked the Committee to consider a cap of 36 percent.

(Attachment 4)

Thomas L. Steele, Tiger Financial Management and Speedy Cash, urged the Committee to vote no on **HB 2245**. Mr. Steele stated that title loans allow the consumer to use their vehicle's title as collateral to obtain a loan. Consumers use those loan proceeds to pay for emergency medical treatment, medicine and vehicle repairs so they can keep their jobs. These loans are intended to be short term solutions. The fees charged for these loans take into account the costs to process short term loans, the inherent risks associated with these loans as well as the costs to operate their businesses. He asked the Committee to allow this safe, legal and regulated product to continue to be an option of the majority of Kansans who use it responsibly. (Attachment 5)

Oshja Anderson and Robin Waller stood in opposition of the bill. They related their good relationships with the their customers and how the company actually helps these people with financial advise.

(Attachment 6)

Floyd Pickett and Cecille McAlpine also stood in opposition to the bill. They related their good experiences with title loans and felt that they were treated fairly. They opined that these loans are necessary for emergencies that are incurred in daily life where no other funds are available to them. (No written testimony submitted)

After a question and answer period by Committee members and the conferees, Chairman Siegfried closed the public hearing on **HB 2245** and adjourned the meeting.

Written testimony only for **HB 2245** was submitted by the following:

Proponents:

Erik Sartorius, City of Overland Park (Attachment 7)

Emilie Rush, Assistant Attorney General (Attachment 8)

Bob Petrus, (Attachment 9)

Jake Lowen (Attachment 10)

J J Selmon, Director of Sunflower Community Action (Attachment 11)

Pedro Torres (Attachment 12)

Lincoln Montgomery, Pastor of the Tabernacle Baptist Church, Wichita KS (Attachment 13)

Kevin Glendening, Administrator, Kansas UCCC (Attachment 14)

Opponents:

Timothy S. Hagan, Director of Education, CCCS (Attachment 15)

Whitney Damron, Kansas Payday Loan Association (Attachment 16)

House Federal and State Affairs
Guest list

Date 3/26/08

Name

Organization

Steve Stegner

Sunflower Community Action

LOYD P. PICKETT

Sunflower Community Action

Cecil McAlpin

Sunflower Community Action

Rickie Coleman

"

April Holman

KANSAS ACTION FOR CHILDREN

Ron Seiber

Her Law Firm / LowMax

Mike Lee at

GBBA

Sony Allen

OSBC

Whitney Damm

Ks Payday Loan Assn.

February 8, 2007

The Honorable Clark Shultz, Chairperson
House Committee on Insurance and Financial Institutions
Statehouse, Room 115-S
Topeka, Kansas 66612

Dear Representative Shultz:

SUBJECT: Fiscal Note for HB 2245 by Representative McCray-Miller, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2245 is respectfully submitted to your committee.

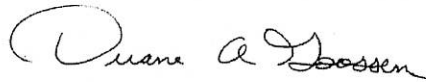
HB 2245 would add a new section to the Kansas Uniform Consumer Credit Code to establish additional criteria for lenders engaged in auto title lending. This bill would require certain information to be disclosed in a title loan agreement; limit the amount of title loans to a maximum of \$2,500; limit the annual interest rate to a maximum of 36.0 percent; allow for a maximum extension of two additional 30-day periods; limit the contract rate of interest to a maximum of 3.0 percent per month of the loan proceeds after the maturity date and any extension of the title loan; prohibit a title loan lender from entering into a new title loan agreement with the same borrower until 60 days have expired following the full payment of the previous title loan; prohibit a title loan from being repaid from the proceeds of another title loan by the same lender; and allow the borrower to prepay in full the unpaid balance of a title loan at any time without penalty.

HB 2245 would allow a title loan lender to take possession of a vehicle, if the borrower fails to repay all amounts legally due under the title loan agreement on or before the title loan's maturity date and after all notices have been given. This bill would require a title loan lender to give the borrower an opportunity to remove any personal belongings from a vehicle that has been repossessed. Within 30 days of the lender selling the vehicle, the borrower would be entitled to receive all proceeds from the sale of the repossessed vehicle in excess of the principal amount due on the loan, interest accrued through the date the lender took possession of the vehicle, and the actual expenses incurred by the lender in taking possession of, preparing for sale, and selling the vehicle. The actual expense incurred could not exceed 15.0 percent of the outstanding principal amount of the loan.

The Honorable Clark Shultz, Chairperson
February 8, 2007
Page 2—2245

The Office of the State Bank Commissioner indicates that implementation of HB 2245 would have no fiscal effect on agency operations.

Sincerely,

A handwritten signature in cursive script that reads "Duane A. Goossen".

Duane A. Goossen
Director of the Budget

cc: Steve Neske, Revenue
Linda Bundy, Banking

Lori Lawrence

I called Loan Max in Wichita to see what the charges would be if I borrowed money.

They charge \$22.50 "interest" on every \$100 you borrow. When I asked about a loan of \$2000 I was told the monthly payment would be \$450!! And if I paid that I would still owe them \$2000. Anything over that \$450 would go toward paying off the loan.

I believe this used to be called "Loan Sharking" and it has been illegal until NOW.

When people take out these loans, they lose all hope of ever repaying them. The Title Loan companies are making a killing off of the hard working people in YOUR district. Your constituents are taking out these loans whether you see it or not. This does not only affect poor people and people of color, this affects people in every social and economic class and people of every race and ethnicity.


People have forgotten how to live within their means and are going to these places believing it will be temporary and then find out how difficult it is to escape this trap that the Kansas legislature, you, have the ability to rein in this business. Please send this bill out to the floor. The entire House needs to vote on this during the current session.

This is important for the well-being of the people in YOUR district.

House Fed and State Committee
March 26, 2008

Attachment # 2

FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman
Legislative Testimony
House Bill 2245
House Federal and State Affairs Committee
March 26, 2008

Good afternoon Chairman Siegfried and members of the Committee. On behalf of Kansas Action for Children (KAC), I would like to thank you for this opportunity to testify in support of House Bill 2245.

KAC is a not-for-profit child advocacy organization that has been in existence since 1979. KAC promotes policies that aid family economic stability because instability creates stress and the potential for harm to children through less consistent medical care, fewer opportunities for early learning and the potential for lower performance in school.

The economic prosperity of individual Kansas families is the foundation of prosperity for the state. Predatory lending practices threaten the prosperity of Kansas families by diverting family resources away from basic necessities such as food, clothing and shelter. Just as state and local agencies protect the public by ensuring food quality standards, environmental controls, consumer fraud protections, and workplace and product safety standards, public institutions must provide consumer protections in the area of predatory lending.

We support HB 2245 as an important protection against lending practices that prey on a borrower's limited access to credit with aggressive and sometimes deceptive marketing, and high interest rates. Car title loans often end up diverting vital financial resources from low- and moderate-income families and create a debt spiral that is very difficult to escape.

Car title loans in Kansas are structured as open-ended lines of credit to avoid interest rate caps. As a result it is not uncommon to see triple digit annualized interest rates on car title loans as well as a significant rate of loan default and subsequent car repossessions. Resulting transportation issues coupled with huge interest payments can be especially harmful for families with children.

HB 2245 places a firm cap on the amount of interest charged on car title loans and requires that proceeds from the sale of a vehicle in excess of the amount owed by the borrower are returned to the borrower. While the most effective solution to the problem of predatory lending is the creation and promotion of viable lending alternatives, HB 2245 would provide important consumer protections for families in financial crisis.

A number of things go into the development of a healthy child. Family economic security is a key component of this. Families must have the opportunity to meet their children's economic and developmental needs through the provision of food, clothing, transportation, health care, education, and safe, affordable housing. For these reasons, we respectfully request the passage of HB 2245.

House Fed and State Committee
March 26, 2008

720 SW Jackson, Suite 201 Topeka, KS 66603 • Telephone: (785)232-0550 • Fax: (785)232

An initiative of Kansas Action for Children

Attachment # 3

CAR TITLE LOAN TESTIMONIES

Proponent

Thank you for hearing this testimony today.

I'm Rickie Coleman From Sunflower Community Action (SCA) Wichita, Ks. SCA is a grassroots non-profit org., which works in low to moderate income neighborhoods (in which we also live) to help people help themselves. We are a Leadership Development organization. We go into the community &/or people come to us with their problems. We hold businesses or the city accountable when they forget about us, the people. We empower people to stand up and use their voices to be heard. WE hit the road and find solutions. We have PEOPLE POWER not, MONEY POWER!

HMMM- I ask you what's wrong with this picture? We're the bad guys if we want a cap of 36%, to help people from the vicious cycle of debt. But they're the good guys who want to help when people are in dire need by giving them loans. Not only do they have triple digit annual interest rates, the loan is much less than the value of the car. Whose helping who?

Car title loans put at high risk an asset, that is essential, to the well being of working families--their vehicle..

We've been working on this problem for over 2 yrs now. We still meet new victims everyday who get caught up in this cycle of debt. Once losing their car, they soon lose their job.

We've seen in the mortgage mkt. w/high-risk, high interest rate loans & no checks on a consumer's ability to repay the loans. They're losing their homes. The same is true w/auto title loans. The problem is that borrowers get trapped in this downward spiral. They pay far more in fees & interest than the amount they borrowed.

We've met with the OCC, FTC, DOD, the city, St. Reps. Credit counselors & the Bk. Comm Office & all the answers we're the same.

We need stronger Laws put in place to Regulate the way these companies do their business. We came to help bring this law to light and what it needs. We want the Car Title Loan Cos. to be held accountable, to be responsible lenders and be there really to help. Not put people in the cycle of debt that ruin their lives.

The Legislators can put an end to this practice, in future cases, by capping auto title loans at an annual percentage rate it determines to be reasonable. Anything less short changes the public. SO I ASK YOU, TO VOTE FOR 36%.

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March 26, 2008

Attachment # 4

Testimony in Opposition to HB 2245
House Committee on Federal and State Affairs
March 26, 2008

Tiger Financial Management / Speedy Cash
Thomas L. Steele
3527 North Ridge Road
Wichita, Kansas 67205

Tiger Financial Management and Speedy Cash urge you to vote no on HB 2245. This bill unfairly and wrongly restricts the short term credit needs of consumers in Kansas. Currently, Tiger and Speedy Cash operate 8 loan offices within Kansas including locations in Hutchinson, Salina and Wichita. In addition, the corporate offices for our nationwide operation are located in Wichita, where we oversee 72 locations in 9 states. In all, we employ over 150 people in Kansas with an annual payroll of \$6,200,000, including our corporate offices where many of the positions are high paying jobs in finance, information technology and other professional fields.

Our Kansas loan offices offer myriad financial products and services designed to conveniently meet consumer's short and intermediate term financial needs. These services include check cashing, money orders, wire transfers, credit cards, payday advances and title loans.

Title loans allow the consumer to use their vehicle's title as collateral to obtain a loan. Consumers use those loan proceeds to pay for emergency medical treatment, medicine and vehicle repairs so they can keep their jobs. Loan proceeds are also used to avoid paying higher costs associated with credit card late fees, insufficient funds check fees and other various late fees and re-connect fees through creditors and utilities.

These loans are intended to be short term solutions. In fact, our loan documents encourage consumers to pay off the loans as soon as possible to avoid paying additional interest. (c.f. Voluntary additional disclosure signed by our customers attached hereto.)

The fees charged for these loans take into account the costs to process short term loans, the inherent risks associated with these loans as well as the costs to operate our businesses. The rates may seem high as they are based on Annual Percentage Rate as calculated under the Truth in Lending Act (TILA) and Regulation Z. These laws require the disclosure to presume that the customer has the loan outstanding for a full year. Even if a loan is open for only a month, the interest rate must be disclosed as if the loan was open

for an entire year. Our critics distort this disclosure and argue that our company is collecting three or four times the principal of the loan.

Speedy Cash has found that most consumers use these loans as intended and our repossession rates are very modest. Our company works with customers who have difficulty in repaying their loans so that they can pay off their loan and keep their vehicle. Our typical repossession rate is a fraction of one percent because of our workout efforts.

Title loan fees are approximately two-thirds (2/3) of the rate of other short term credit such as payday advance. In Kansas we charge \$20 per \$100 lent for 30 days. By capping interest at a 36% APR, HB 2245 would effectively prohibit title loans in Kansas. This rate would translate into less than \$3 a month in revenue per \$100 loaned. It is simply not economically feasible for Speedy Cash to continue to offer the product should HB 2245 become law. Passage of the bill will force consumers to use more expensive credit options, lose their employment, forego medical treatment or turn to unregulated Internet lenders to alleviate short term needs. Pawn brokers take possession of vehicles on which they loan money on and Internet lenders are often off-shore and unregulated. Both of these are less attractive options for consumers than title loans.

This industry is well regulated by the Office of the State Banking Commissioner, the Kansas Uniform Consumer Credit Code and its implementing regulations. All lenders are licensed by the Office of the State Banking Commissioner, submit annual reports and undergo rigorous annual audits. The Commissioner can confirm that there are low numbers of consumer complaints, particularly compared to the number of made loans.

Please allow this safe, legal and regulated product to continue to be an option for the vast majority of Kansans who use it responsibly. Speedy Cash, its 150+ employees and thousands of our Kansas customers urge you to vote NO on HB 2245.

LOANMAX

Government Affairs
3440 Preston Ridge Road
Suite 500
Alpharetta, Georgia 30005

Tel. (678) 823-4668
Fax (678) 823-4043
osjha@selectmgmt.com

March 26, 2008

The Honorable Arlen Siegfried
House Federal and State Affairs Committee
State Capitol
Topeka, KS 66612

Dear Chairman Siegfried and members:

My name is Osjha Anderson. I am Corporate Counsel and Director of Government for LoanMax. Joining me today in opposition of HB 2245 is Robyn Waller, Area Manager for Loanmax here in Kansas. On behalf of our 40 employees and thousands of customers here in Kansas, I thank you for your time and attention today.

LoanMax and its affiliates have been in business since 1990. We operate in 21 states and have over 1000 employees nationwide. We pay competitive wages and a comprehensive package of benefits which include health, dental, vision, disability and life insurance options. We are regulated by the Division of Consumer and Mortgage Lending of the Kansas Office of the State Bank Commission. We provide small lines of credit secured by a borrower's vehicle. The vehicle must be owned free and clear, which means there can only be one loan per vehicle at any time. In 2007, we received zero complaints from the Bank Commission and zero complaints from the Attorney General's office.

Our customers use our service for a variety of reasons including, convenient application process, easy to understand, simple interest charge, no late fees, no application fees and no compounding interest. There is no effect on the borrower's credit score when they apply or if they default or make a late payment. For some, a title loan serves as an alternative to selling a vehicle to get the short term cash they need.

I do not come today to oppose consumer protection. We fully support consumer protection. However, we support protection which includes protecting a consumer's right to make their own financial decisions. Other protections we have implemented are:

- Going beyond state and federal requirements and providing each borrower with an "Additional Disclosure Form" which provides the interest chare per day and per billing cycle.

House Federal & State Committee
3-26-08

Attachment

6

- We also ask the customer to sign a one page document that says:
THIS IS A HIGH INTEREST LOAN
CONSIDER OTHER BORROWING OPTIONS
YOU ARE ENCOURAGED TO PAY THE BALANCE OF THIS LOAN AS
SOON AS POSSIBLE
- A large yellow poster with important information is posted in every loan office.
- There are no prepayment penalties.
- We do not pursue deficiency balances, which mean no legal action, no attorney's fees or wage garnishment.
- We issue a Notice to Cure prior to any vehicle being repossessed.
- In the unusual case a vehicle is repossessed, any surplus proceeds are returned to the customer.
- We provide a 1-800 customer service number.

I hope you find this information helpful as you consider this issue. Please let me know if I may provide additional information.

Kindest regards,

Osjha M. Anderson

House Federal & State Committee

Attachment 6-2

ADDITIONAL DISCLOSURE

Based on your initial cash advance of _____ and the agreed **Annual Percentage Rate of** _____ your first billing statement will include the following charges which will equal your minimum payment due:

Cash Advance Fee of	\$ <u>0.00</u>
Lien Fee of	\$ _____
Amount of interest charged on a daily basis based on the amount of the initial cash advance	\$ _____
____ Day's Interest of	\$ _____
Minimum Payment Due of	\$ _____

If there are no other additional cash advance or principle reductions:

Your **Minimum Payment Due** in subsequent billing cycles will be calculated on a monthly basis and will be approximately _____.

I have read and understand the above information.

BORROWER _____ CO-BORROWER _____

LM167 Anderson Financial Services, LLC Loan Max
3601 SW Topeka Blvd
Topeka, KS 66611
785-266-2740

*** THIS IS A HIGH INTEREST LOAN**

*** CONSIDER OTHER BORROWING OPTIONS**

*** YOU ARE ENCOURAGED TO PAY THE BALANCE
AS SOON AS POSSIBLE**

Customer Signature

House Federal & State Committee

3-26-08

Attachment

6-4



8500 Santa Fe Drive
Overland Park, Kansas 66212
• Fax: 913-895-5003
www.opkansas.org

Testimony Before The
House Federal & State Affairs Committee
Regarding
House Bill 2245
Submitted by Erik Sartorius

March 26, 2008

The City of Overland Park appreciates the opportunity to appear before the committee and present testimony supporting House Bill 2245. This legislation is a fair step in protecting consumers and bringing additional regulation to a lending product marketed as a short-term solution that is increasingly becoming a long-term product.

Short-term loans can be a service to people caught in an unusual bind. Unfortunately, reports have demonstrated that payday loans can lead not to greater financial stability, but less, as borrowers enter a cycle of continuous borrowing to pay off previous loans. According to the Center for Responsible Lending, only one percent of these loans are made to one time borrowers.

The City has not been immune from the proliferation of payday loan and car title loan businesses entering communities. At this time, eleven such businesses are located in the City, including four within a half-mile stretch of Metcalf Avenue. We face a stiff challenge in the near future to ensure Metcalf Avenue remains a vibrant part of our community. The possible perception of other businesses and nearby residents is that such growth in the number of payday loans businesses in a small geographic area signals that the area is in decline.

A cycle of borrowing is disconcerting, given an increasing population in Johnson County living on limited means. Data compiled by United Community Services of Johnson County indicates we have seen a 64% increase in the number of persons living below the federal poverty level from 2000 to 2006. Further, the county experienced a 14.6% increase from 2005 to 2006 in the number of persons utilizing food stamps.

Difficult financial circumstances may make Johnson County citizens more susceptible budget crunches and the use of car title and payday loans in a manner leading to a cycle of continuous debt. We ask the committee to support House Bill 2245 as a reasonable step toward implementing necessary reforms in the regulation of payday loans.

House Fed and State Committee
March 26, 2008

Attachment # 7



STATE OF KANSAS
OFFICE OF THE ATTORNEY GENERAL

STEPHEN N. SIX
ATTORNEY GENERAL

120 SW 10TH AVE., 2ND FLOOR
TOPEKA, KS 66612-1597
(785) 296-2215 • FAX (785) 296-6296
WWW.KSAG.ORG

House Federal & State Affairs Committee
HB 2245
Assistant Attorney General Emilie Burdette Rush
Consumer Protection Division
March 26, 2008

Mr. Chairman and members of the committee, thank you for allowing me to submit this written testimony in support of House Bill 2245, a bill that would rein in the predatory lending practices of auto title loan companies in Kansas. Kansas consumers are vulnerable because of the ability of these companies to seize expensive automobiles upon the default of borrowers who have been loaned a relatively small amount of money.

The most important provision of HB 2245 is that it would cap the APR of auto title loans at 36%, the same percentage cap recently implemented by Congress for military personnel. Additionally, if a borrower's vehicle is seized for failure to repay the loan, HB 2245 would require the lender, within 30 days of the sale of the vehicle, to refund to the borrower all proceeds from the sale that exceed the principal, interest and expenses due to the lender.

In addition to the interest rate cap that would apply under HB 2245, the Attorney General's Consumer Protection Division will continue focusing on consumer education and credit counseling efforts to raise awareness on the issue of auto title loans. I believe that a comprehensive effort, including legislation, is necessary to protect Kansas consumers from interest rates that encourage cycles of debt.

Thank you for your consideration.

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Attachment # 8

March 26, 2008

To Ms. Melody-McCray-Miller,

My name is Bob Petrus of Garden City, KS. It was my desire to attend your meeting concerning car title loans. Time limitations have made this not possible at this time. I am quoting from the booklet "Financial Focus" regarding ways we might better protect individuals who use predatory car title loans in Kansas. Pages 10 & 11 cover ways we might better protect borrowers if these loans are to be allowed in Kansas:

CAR TITLE LOANS

Extend the length of loans. As is the case with payday loans, if a borrower is experiencing a financial crisis, it is unrealistic to assume that the two-to four-week repayment period of a typical car title loan is long enough to recover.

Limit interest rates. Because car title loans are structured as "open-ended" loans in Kansas, there is no cap on the interest rate that can be charged.

Implement standards for repossession. Reasonable standards should be set for repossession of a vehicle in the event of a default. These standards should include the amount of time before a car is reposed, notice of repossession and how quickly the car must be sold after repossession.

Return of surplus after sale. The law should clarify that proceeds of the sale of a repossessed vehicle in excess of the amount of the borrower's debt must be returned to the borrower.

I hope you will consider these measures. The poor need ways to be protected.

Thank you

Bob Peters

121 Grant Ave.

Garden City, KS

620.275.1998

House Fed and State Committee
March 26, 2008

Attachment # 9



1528 N. Broadway, Wichita Ks 67214
(316) 264-9972 - Fax: (316) 267-3580
info@sunfloweract.com - www.sunfloweract.com

Testimony of Jake Lowen
1526 Jump Street
Wichita, KS
316.213.8716

My name is Jake Lowen. I am from Wichita where I work in an inner city youth empowerment program. I have been a supporter of Sunflower Community Action for about 5 years. I am a Proponent of HB 2245, and I thank you for hearing this very important issue today.

On June 10th, 2006 I attended Sunflower Community Action's public meeting in support of their efforts to call for regulation of car title lenders. I arrived about 20 minutes before the scheduled start of the meeting to find several buses full of about 500 people all wearing matching yellow Loanmax t-shirts. The rumor quickly reached me that they all the Loanmax "supporters" were in fact bribed to attend.

In the time before the meeting I milled through the crowd and asked several people in the yellow shirts about why they had attended. Everyone who I asked replied the same way, "For the money". It became clear quickly that in fact very few of those in attendance were Loanmax customers, much less supporters.

When the meeting began I took my seat among the crowd. Before a word was spoken by sunflower leadership they began to play a news expose of the payday lending industry on a large screen. As the video outlined the controversy of payday lending, I heard many of the people wearing yellow around me comment with disdain at what they were seeing. The room grew obviously tense and in fact I saw some "supporters" shake their head and remove their yellow t-shirts. Seeing this, the Loanmax CEO instructed everyone to leave the meetings and reboard the busses.

At this point It was pretty clear to me that Loanmax was merely trying to buy public opinion and I was angered by the audacity of a corporation that would spend so much money to disrupt a community meeting. It was at this point I became determined to find out exactly what was going on. I stood up and marched out with the sea of yellow. Once outside I turned to the guy next to me and said, "so what now? When do we get our money". He replied, "I think when the bus drops us off."

So instinctually, I got on the bus. It wasn't until we began to pull away from the church and my car that I looked around the bus and realized I was the only person without a yellow shirt that it occurred to me that I might have made a bad decision. Once on the bus I talked to the 3 people closest to me. Only one of them had ever actually had a payday loan, but as he pointed out, "it wasn't from these guys, it was from the one with the kangaroo" The other two had never even heard of Loanmax and in fact were recruited off the street with the bait of a quick \$100.

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Attachment # 10

The bus approached the Loanmax office at Central and West street and joined 4 other buses. Participants streamed off the bus and a line snaked around the building and inside of the tiny Loanmax office. The people coming out the other side of the door all had a crisp \$100 bill in one hand, and a box lunch in the other.

As I approached the door I began to get real nervous that someone was going to smell me out since I didn't have the t-shirt. Luckily as I approached the door on the way in, I met 3 kids from my youth program as they were on the way out.

Let me pause the story to point out that these were three high school aged children. None of which are even of age to legally be a Loanmax customer. They were approached while eating at the Wendy's next door and offered \$100 to get on a bus.

I convinced one of the kids to give me their shirt, and I slipped it on as I entered the door. There was a man behind the counter with a huge stack of money handing out a box lunch and \$100 bills.

When I saw that big stack of money I began to understand the depths that this industry will go to save its hide and continue its shady business practices. Do not believe for a minute those 500 people clad in yellow are supporters of the predatory loan shark behavior of the loanmax or others like it. These were not loyal customers who were reimbursed for lost wages as they claim.

These were people, including school children, literally plucked from the street with the promise of fast easy cash. Sounds familiar huh? Much the same tactics that they use to ruin these same people's lives everyday.

They are so scared that they are willing to spend somewhere between \$50,000 to \$100,000 to shut down one community meeting in a church in Wichita. I can't imagine the ends they will go to try to pull the wool over your eyes as well.

After I got my money, I called a friend and got a ride back to the meeting. I was then pleased to be able to present that \$100 as a donation from Loanmax to Sunflower Community Action. I hope that Sunflower continues to awaken people to the cold reality of predatory lending, and I hope that you as lawmakers have the courage to stand up for the very people that Loanmax preys upon.



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(316) 264-9972 - Fax: (316) 267-3580
info@sunfloweract.org - www.sunfloweract.org

My name is JJ Selmon and I am a proponent of HB 2245. I would like to thank you for hearing this very important issue and I'm sure that you all will do the right thing here.

I am the Executive Director at Sunflower Community Action and have heard my fair share of the horror stories associated with payday/auto title lending. Of the hundreds of stories that I have heard never once has anyone said that payday/auto title loans were a benefit to them and that they would recommend this as an option for others. I do agree like many that this type of lending does serve a purpose, but when it is destroying the lives of Kansans you as lawmakers should do everything in your power to protect us. That is why I am requesting your support HB 2245.

The purpose of my testimony is to show you that payday and auto title lending is not just a problem in Kansas, but is a growing problem all over the country. There are a number of states that have addressed this issue and many more are looking at the issue like Kansas. It was recently estimated in a report by the Center For Responsible Lending that Kansas's families are spending at least \$30 million in payday and auto title lending fees each year and that Americans are spending \$4.2 billion

As of February 17, 2008 payday/ auto title loan reform legislation had been filed in at least 19 states. Bills to cap rates at 36% annual interest for either all borrowers or only military borrowers had been filed in Arizona, California, Kentucky, Montana, New Hampshire, New Mexico, Oregon, South Carolina and Virginia. Some states are just starting, so there may be more legislation as the year progresses.

A bill to impose a \$300 per loan penalty for violating the Arkansas constitutional 17% APR rate cap has passed the House. A 36% rate cap bill was favorably reported from the New Mexico Senate committee. Legislation in Virginia was introduced to cap rates at 36%; an industry bill was amended by the House to cap rates at 72% annual interest, before being withdrawn by the sponsor. South Carolina's reform bill, sponsored by a veto majority of House members, caps rates at 36% annual interest plus an annual fee of up to \$5 and Iowa recently passed a law that capped interest rates for auto title lenders at 21%.

The federal government also recently passed federal legislation that capped interest rates for military personnel and also prohibits any form of lending with a car title. We recently had a meeting with a Martin Dempsey with the US Department of Defense, who explained to us that payday and auto title lending was top 10 issues concerning quality of life issues with military personnel, because of this congress acted to protect it's military members. If the federal government provided these types of protections for their military members, shouldn't these same protections be provided for Kansans? I don't believe that government should try to run any industry out of business, but I do believe that government has the obligation to protect its citizens. Thus why I strongly urge you to support HB 2245 and do what's best in the interest of your constituents.

Thank You Very Much

JJ Selmon

House Fed and State Committee
March 26, 2008

Attachment # //



1528 N. Broadway, Wichita Ks 67214
(316) 264-9972 - Fax: (316) 267-3580
info@sunfloweract.com - www.sunfloweract.com

My name is Pedro Torres and I have been living in Wichita for 13 years. I am a proponent of HB 2245 and I would like to thank the committee for hearing our stories today.

I believe it is urgent that the community does something to stop these loan shops from taking advantage of people. At first glance, these loan shops look like legitimate businesses that want to help our community get quick, fast cash. But, they are predators who take advantage of good people who are down on their luck, and need a small loan to get back on their feet.

About three months ago, I had an emergency and needed some money. I went to Fast Cash to get a car title loan for \$600, and signed my pickup truck title over to them. I have to admit that I was convinced by the advertisements that this was a good deal. They gave me a ton of paperwork to sign, and when I finished they gave me the \$600.

I was very surprised when they told me that I needed to payback \$100 for a membership. I asked her what I'd be a member of but I did not get a clear answer, only that I needed to sign up immediately! I left that day with only \$500 in my wallet, after taking out a \$600 loan. In Spanish, the employee had told me that the payments were every month, but in reality I had to make the payment in full in 20 days or pay the interest.

Since October I have paid:
\$100.00 of "membership"
\$120.00 (20 days after)
\$ 50.00 (30 days after I received the loan)

House Fed and State Committee
March 26, 2008

Attachment # 12 -

I cannot pay the original amount in full, that's why I wanted a loan so I could make payments. Still, each month I continue to pay \$100 interest, and another \$50 in fees.

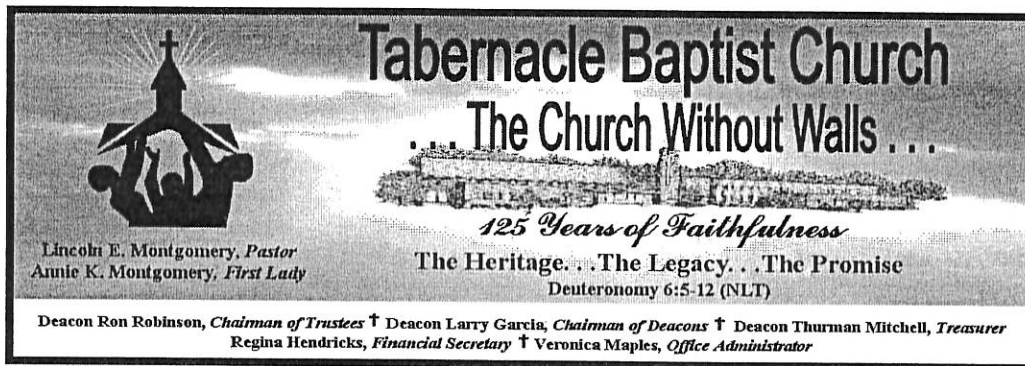
In early January, a letter arrived that showed an outstanding balance of \$905.00 All together, that made it a total of \$1155, in just 3 months. But it doesn't end there. Just two days after, they came to my house to take my truck without showing me documentation of any sort. Naturally, I refused to let them take my truck, so they called the police. The officer told me that they had the legal right to take my truck, and only needed to show him the documents to prove so.

On January 23, I paid 374.69 to Fast Cash to get my truck back. My account has been increased in only 2 weeks in 118.50. My outstanding balance is as of 2/07/08 \$718.50

I want to urge this committee to pass a law so all Kansans are protected from predatory lenders. Just like they trapped me, they can trap a lot of other people as well.

Thank you again for taking the time to listen our cases.

Pedro Torres



March 13, 2008

To the members of the committee and state legislatures, I am a proponent of HB 2245. My name is Lincoln Montgomery. I am the Senior Pastor of the Tabernacle Baptist Church, "The Church Without Walls", which is located in Wichita, Kansas. The church has a membership of over fifteen hundred and we are privileged to consider ourselves a community resource. My role at the church as minister and pastor is to also be an advocate, particularly for those who are the poor, or for those who perhaps lack a voice. We certainly attempt to assist in that role.

We hosted a meeting for Sunflower Community Action Group that was focused on the payday lenders in our community and some of their actions and practices which we believe constitute nothing less than a legal form of exhortation as it relates to the loans that they make and the ability of those who make them to repay. We hosted the meeting on that Saturday and prior to the meeting a representative from Loan Max approached me, asked if I was the pastor, and once he established that I was, he asked if there was anything that the company could do for our church. I assured him that I didn't think that, that would be the case. He then asked, if there was anything that the company could do for me as pastor, and again I answered in the negative. At that time, I did not consider or think of his offer as an attempt to bribe, until after the meeting when other events unfolded.

We have documentation, which I am sure has been offered to you and as proof given, that we attempted to host this meeting as truly a community educational meeting. There was no action taken at any of the sites during this meeting, or at any of the Loan Max sites, or any of the other payday lenders locations. We simply called the members of the community to our church to give them the opportunity to be informed. As we prepared to begin the meeting several buses pulled into our church's parking lot and at least 300 people, if not more, disembarked, came into the meeting wearing the bright yellow Loan Max t-shirts. I was preparing to host the meeting and was informed that they had come in and they had been welcomed. We certainly had agreed to do that, but more importantly, it was then shared with us that they had been paid or promised \$100 cash, as well as, a t-shirt and lunch for their participation and their willingness to come to this meeting. Whether or not they had been an actual customer of Loan Max was not a criteria. They were simply paid to come. After receiving this information, and determining this was true, I announced then to those present, that the agenda was set by Sunflower Community Action, and that they were the ones who planned it. I informed them that it did not allow for a public agenda, in the sense that we would not allow basically for others to usurp what had been a very planned and orderly meeting to last not more than an hour and a half in duration. If they wanted to sit and listen they would be welcomed, otherwise they would be free to leave. This announcement was made also after a

House Fed & State march 26, 2006

#13

consultation with the president of Loan Max who was informed that in fact there would be no open forum. I encouraged him if he wished to give people a voice, to take them to his place of business and allow them to speak to the media from that vantage. At that point they filed out of the sanctuary. Consequently, I am pleased to share with you that several of them took off their t-shirts and came back in and we have subsequently helped them to break free from the cycle of these payday loans.

One thing that was made very clear to me as a result of this meeting, is that this lender was prepared to spend several thousand dollars to usurp what was the right of this group to simply inform the public. My fear is that if they were willing to spend this amount of money in a simple community forum, then they are more than prepared to also to attempt to sway you in your deliberations. I pray that the money they might offer will not block the voices of the constituent members of your communities, which deserve your consideration in terms of finding relief from the practices of usury that these payday lenders exercise. I am more than happy to appear personally before any group or to follow on with documentation of every exertion that I make in this letter to you.

Again I thank you for your time.

Sincerely,

Lincoln E. Montgomery



KANSAS

OFFICE OF THE STATE BANK COMMISSIONER
J. THOMAS THULL, *Bank Commissioner*

KATHLEEN SEBELIUS, GOVERNOR

House Federal and State Affairs Committee

March 26, 2008

Re: HB 2245

Mr. Chairman and Members of the Committee:

The Office of the State Bank Commissioner supports HB 2245 and urges the committee's favorable consideration of the bill. Title lenders operating in Kansas, as in several other states, presently use an open-end loan structure to avoid any interest rate limitation that would otherwise be in place for a consumer loan. The open-end loan structure, which has no stated term, means lenders often only require interest payments with little or no reduction in principal. As a result, title loans can stretch on for an indefinite period of time; provided the consumer can keep paying triple digit interest rates. In contrast to a payday loan, which is an unsecured loan for a fixed term with limitations on the allowable fees charged; a title loan is a fully collateralized, and therefore lower risk, loan but with an indefinite term and no limitations on interest rate or fees. A title loan structured as an open-end loan is inherently more difficult for the borrower to determine or understand the total cost or fees they will pay in connection with the loan. The complexity of calculating the finance charge on an open-end loan makes it virtually impossible for the average person to determine their actual cost because the payment amount, the total interest charge, or total of payments cannot be determined at the beginning or inception of the loan. The complexity of these transactions is further demonstrated by the fact that many title lenders examined by the OSBC were in some fashion incorrectly calculating and applying charges to consumers' accounts. HB 2245 would move title loans from an open-end structure to a defined term loan structure and as a result, make the loan terms and total cost much easier for the average person to understand and make an informed decision.

The bill also contains several other worthwhile provisions including requiring prompt recording and release of liens, and limiting fees and other charges associated with the title loan. Our agency would be happy to assist the committee in their deliberation of HB 2245 by answering any questions if called upon. Thank you.

Respectfully Submitted

Kevin Glendening
Administrator, Kansas UCCC
Deputy Bank Commissioner
Office of the State Bank Commissioner

House Fed and State Committee
March 26, 2008

Attachment # 14

Consumer Credit Counseling Service, Inc.

1201 W. Walnut
P.O. Box 843
Salina, Kansas 67402
(785) 827-6731
(800) 279-2227
(785) 827-8280 fax



R. H. Garvey Building
300 W. Douglas, Suite 900
Wichita, Kansas 67202
(316) 265-2000
(888) 257-6899
(316) 265-8507 fax

Plans That Work.... People Who Care
www.ksccecs.org

Kansas House Federal and State Affairs Committee
Topeka, Kansas

March 25, 2008

Re: Written Testimony in Support of HB 2245, An Act regulating vehicle title loans.

Honorable Chairman Siegfried and Committee Members,

Thank you for including our written testimony in support of HB 2245. Consumer Credit Counseling Service is a 501(c) 3 chartered not-for-profit agency that has been serving Kansans from our offices in Salina and Wichita for over 20 years. Our mission is to bring hope and stability to Kansas families by offering financial solutions through education and counseling. This is why we strongly support HB 2245 in its current form.

We have learned that vehicle title lending in Kansas came about as the result of an unintended consequence of action taken by the Kansas Legislator several years ago in support an initiative by the Kansas Bankers Association. In an effort to promote credit cards issued by Kansas banks, the legislature allowed a provision in Kansas law that regulated the interest rate on revolving charge (credit card) accounts to "sunset". As a result of this lack of regulation, title lenders were able to move into the state and begin writing their loans in the form of revolving charge accounts. The interest rate on these loans was initially 360% APR but was lowered to 264% APR (approximately 9 times the default interest rate for major credit cards) about 3 years ago. Therefore, vehicle title loans in Kansas currently exist with very little oversight and regulation. Two provisions in HB 2245 provide reasonable regulation and much needed consumer protection for these extremely expensive open-ended loans.

First, paragraph (4) in Section 3 of the bill limits the length these loans can last to a maximum of 90 days at the mutual consent of the lender and borrower. This should be strongly supported by proponents and opponents of HB 2245 since these loans are marketed as short-term loans and are not appropriate for long-term financial needs.

Second, paragraphs (1) and (2) in Section 3 provide a reasonable loan limit of \$2,500 and, based on normal interest rates in the consumer credit arena, a generous interest rate cap of 36% APR.

Some may try to persuade your committee that vehicle title loans in their current form at current interest rates provide some Kansans their sole access to credit. While this may be true, is it reasonable for any Kansan to be charged 264% APR for a loan that, if defaulted, would likely result in forfeiting what could be the family car? We hope the members of the House Federal and State Affairs Committee will agree with us that the answer to this question is a resounding NO! Please vote to send HB 2245 to the House floor for a debate on its merits.

Respectfully Submitted,

(Signed)

Timothy S. Hagan
Director of Education, Wichita

House Fed and State Committee
March 26, 2008

Attachment # 15

Serving Central and Western Kansas Since 1985.





MEMORANDUM

TO: Chairman Arlen Siegfried
And Members of the House Federal and State Affairs Committee

FROM: Whitney Damron
On behalf of the Kansas Payday Loan Association

RE: Consumer Lending Issues

DATE: March 21, 2008

On Wednesday, March 26, the House Federal and State Affairs Committee is scheduled to hold hearings on HB 2245 relating to title loans. Oftentimes the critics of title loans either confuse that lending product with payday loans or they simply believe there is no distinguishable difference between the two.

The Kansas Payday Loan Association respectfully disagrees with the latter position and wanted to provide you with the enclosed information on payday loans in advance of the hearing.

Last week, representatives of Sunflower Community Action from Wichita came to the statehouse to protest immigration legislation and what they refer to as predatory lending. Included with the memorandum is information to address some of the misinformation they have been quoted as providing to the public in recent news articles.

Included with this memorandum is a two page summary of the payday loan industry and some of the issues we have discussed with legislators, the Office of the State Bank Commission and others.

Sunflower has suggested payday loan interest rates are as high as 800 percent; the industry is unregulated; and that customers pay only interest or fees and roll over their principal debt. All of these statements and more made by Sunflower are not true and misleading, at best. The fact of the matter is, payday loans are regulated and fees are as low as or lower than all of our surrounding states and this industry is providing a service sought by consumers who understand the straightforward nature of the transaction.

In my opinion, many of the concerns expressed by entities such as Sunflower Community Action ignore consumer protections already contained in our laws and the proponents are simply working from national talking points prepared by special interests.

I hope this information is useful to you. Please do not hesitate to contact with Bud Burke (QC Holdings) or me if you have additional questions on the payday loan business in Kansas.

Thank you.

House Fed and State Committee
March 26, 2008

WBD
Enclosure

Attachment #16

Whitney Samson 16

Payday Loan Industry in Kansas

The payday loan industry is regulated by the Office of the State Bank Commissioner.

Opponents to payday loans like to calculate fees on payday loans in terms of interest rates. That calculation gives the casual observer a highly-distorted view of the payday loan product. Opponents suggest a payday loan has an interest rate of 491 percent. That calculation would be true if a consumer took out a payday loan on January 1 and renewed it every two weeks for the entire year. However, that is not how the consumer uses a payday loan product.

Consumers look at the cost of a payday loan as a fee for borrowing money for a short period of time – typically 2 weeks. The maximum fee, \$15.00 per \$100.00 borrowed is straightforward, easy to understand and accurately reflects the risks associated with making the loan. Consumers also take into consideration the cost avoidance of taking out a payday loan – what costs will not incur for paying \$15.00 to borrow \$100.00 for two weeks? Avoided costs from not bouncing a check. Get a new battery for their car and save their job. Obtain needed medicine for a child. Protection of an individual's credit rating by paying other debts on time.

These are personal decisions made every day by consumers and non-consumers of payday loan products and ones which the government does not need to be involved with.

Payday loan rates in Kansas are among the lowest in the country. Our rates are as low as or lower than all of our surrounding states:

Kansas	Maximum fee: 15%; \$500.00 maximum loan. No rollovers.
Colorado	Maximum fee: 20% on first \$300.00; 7.5% above \$300.00; \$500.00 maximum loan. 1 rollover allowed.
Missouri	Maximum Fee: 75% of loan amount. \$500.00 maximum loan. Up to 6 rollovers allowed.
Nebraska	Maximum fee: 15%; \$500.00 maximum loan. No rollovers.
Oklahoma	Maximum fee: 15% up to \$300.00; 10% above \$300.00. \$500.00 maximum loan. No rollovers.

Kansas payday loan laws are very restrictive and do not allow for "rollovers". A customer can only have two loans outstanding from a lender and its affiliates at any one time.

Opponents to payday loans suggest that borrowers simply go to multiple payday lenders and thus suggest the need for a statewide data base on payday loans to prohibit a consumer from having more than two loans outstanding at one time. Databases will not prevent consumers from taking out loans originating in other states, via the Internet or from non-regulated lenders. They also give rise to concerns over the potential loss of consumer information and identity theft.

Opponents to payday lending focus on that industry, while ignoring other forms of credit that can and are abused by consumers. What other databases should be created by the State? Credit cards, second and third mortgages, automobile loans and who knows what else? Why single out one form of credit and ignore others?

#16-2

Payday loans are heavily regulated and statutes contain a number of limitations on the borrower and the lender. Many of these restrictions were proposed by the payday loan industry and virtually all of them were supported by the industry.

These restrictions include the following:

A payday loan consumer has a 24 hour right of rescission. If the consumer repays the loan in full by the next business day, the consumer is not required to pay any fees for the loan.

Payday lenders are required to provide forms written in Spanish for their Spanish-speaking customers.

Consumers cannot be criminally prosecuted for writing a bad check to a payday loan store.

Payday loan fees are clear and easy to understand as evidenced by the fact that the Office of the State Bank Commissioner receives relatively few complaints from payday loan consumers.

Those opposed to payday loans provide no meaningful alternatives to consumers for their credit needs. Their suggestions typically are to save money, borrow from friends and family or obtain credit from other lower cost sources. These suggestions are simply not helpful to many consumers who should be allowed to make their own financial decisions.

Kansas payday loan statutes contained protections for military borrowers several years before restrictions were enacted by Congress in 2006.

Alternative Forms of Credit.

Opponents to payday loans ignore the costs and ramifications a consumer might avoid by utilizing a payday loan vs. the alternative.

For example, if a consumer writes a bad check to a local grocery store, the store will assess a \$35.00 fee for a bad check charge. The bank will assess a \$25.00-30.00 fee to the bad check and the consumer can be criminally prosecuted for writing a bad check. Furthermore, due to statutory provisions already in law, a business can seek legal fees and damages from those that write them a bad check. It is not beyond the realm of possibility for a \$100.00 check to a grocery store that is denied for insufficient funds can turn into a \$500.00+ financial obligation for the consumer.

All because certain organizations do not believe a consumer is intelligent enough to make a reasonable financial decision based upon their own personal set of circumstances.

Opponents to payday loans ignore numerous studies, including two by the New York Federal Reserve Bank that highlight significant benefits to consumers by allowing payday loans. They also ignore the problems left behind for consumers in states where payday loans have been effectively prohibited, including increased late payments on other bills, higher instances of credit defaults and other issues related to limited access to credit by consumers.

#16-3
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E-Mail: wbdamron@aol.com