

Support SB-16-185

Legislation updating Colorado's UCCC to improve access to credit for Colorado residents

- 77% of lenders in Colorado are from out of state. *
- Colorado's payday loan usage rate is 27% higher than the national average, according to a research project conducted by The Pew's Charitable Trust.
- Colorado residents have 22% less access to installment loans when compared to the rest of the United States. *
- From 2000 to 2014, the dollar amount of loans outstanding in Colorado declined by 74%. During the same period, the number of loans declined by 63%. **
- OneMain is one of the last installment lenders operating in Colorado, with 16 remaining offices. Over the past 9 years, OneMain/Springleaf has closed 24 branches in the state.
- Colorado's population increased by 26.86% between 2000 and 2015. ***
- Colorado consumers' access to credit is not being met. Passage of SB 16-185 will create an environment that will increase Coloradans' access to credit from traditional consumer finance companies with offices in Colorado. OneMain's loan applicant approval rate would go up an estimated 10%.*

* Based on application data from Colorado residents.

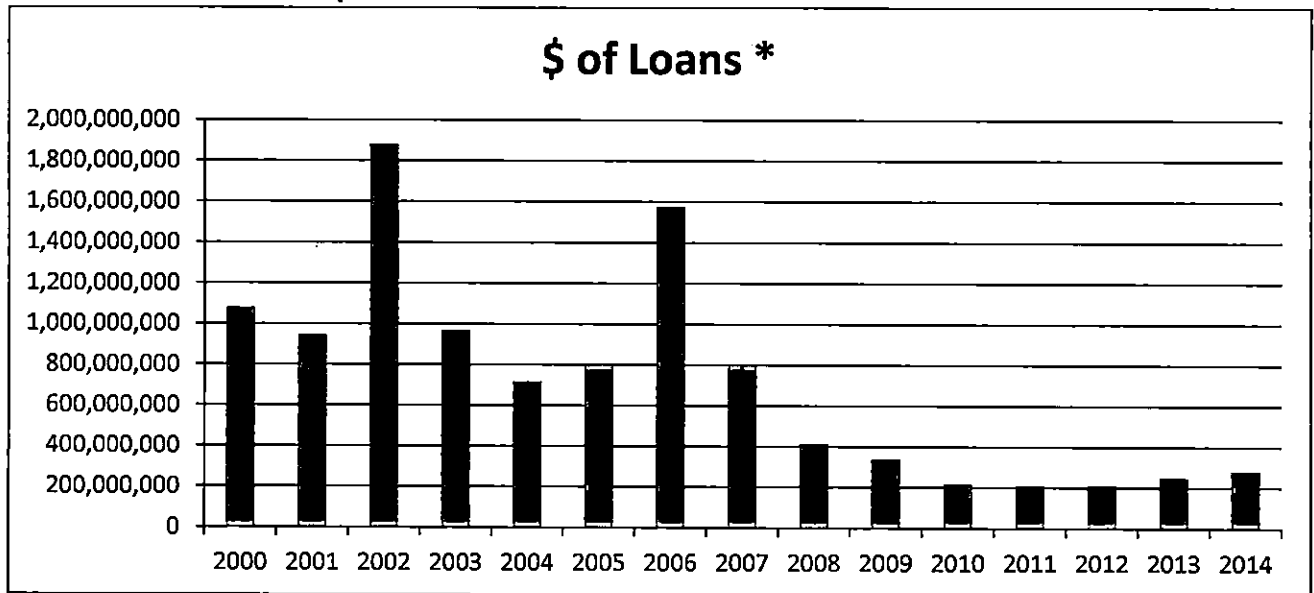
** Based on data from the Colorado Attorney General's Supervised Lenders Annual Report Composites.

*** US Census

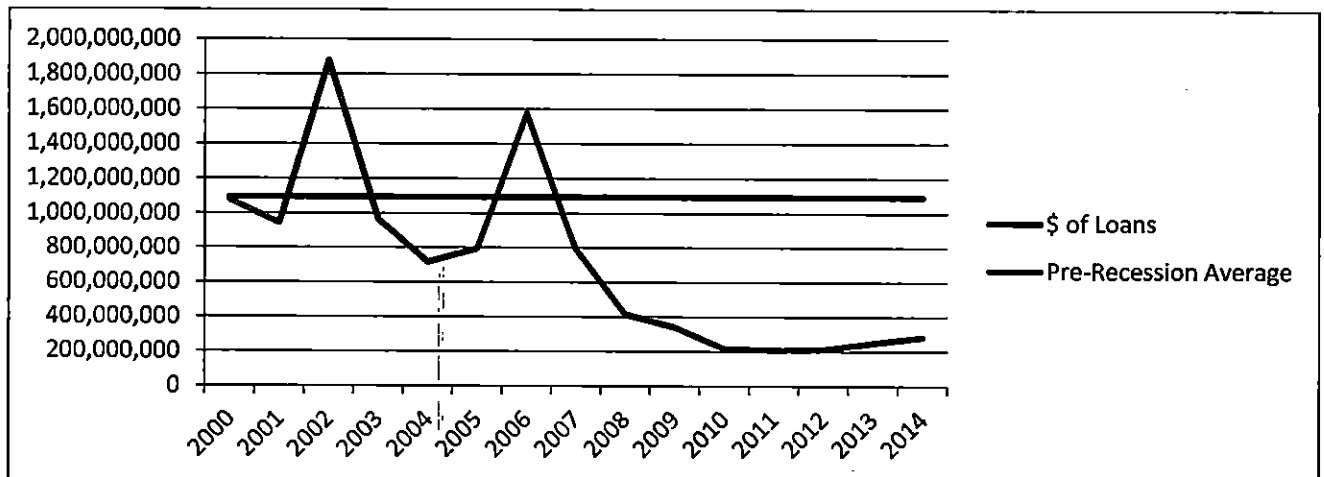
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- The dollar amount of loans in Colorado declined by **74%** between 2000 and 2014, during the period when the current rate brackets have been in place.



- The dollar amount of loans in 2014 was **\$812.2 million** less than the annual average during the pre-recession years between 2000 and 2007.

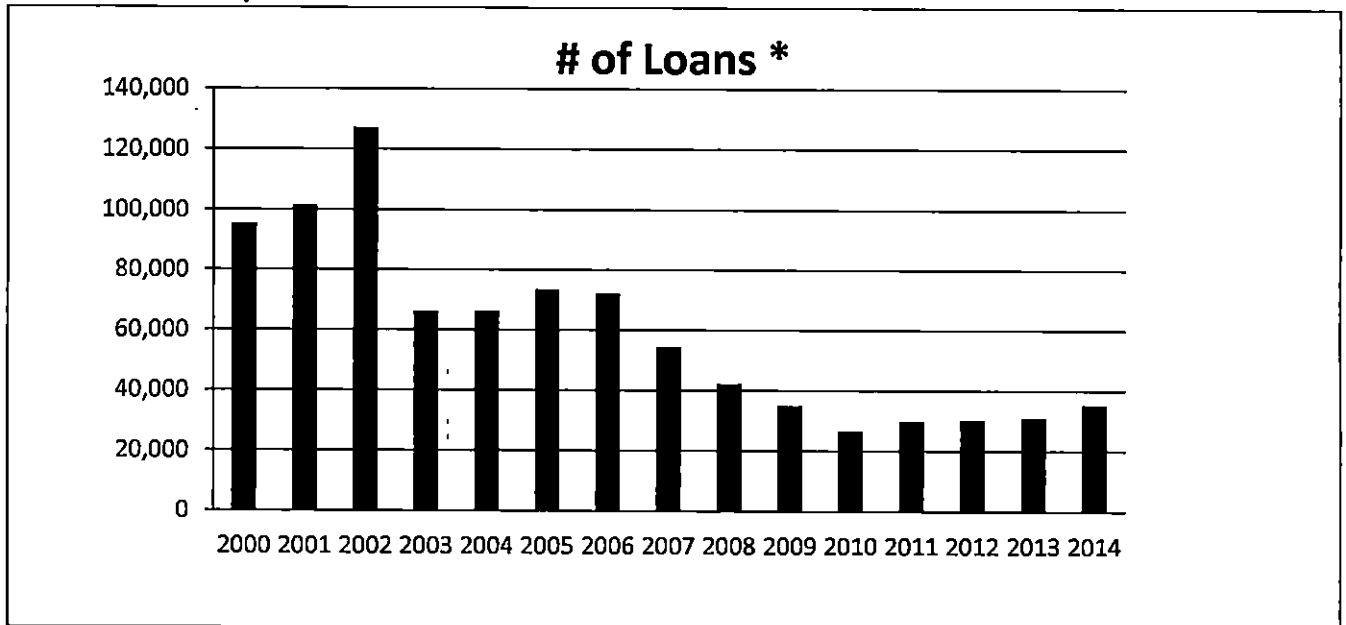


* Colorado Supervised Loans (closed end/fixed terms) as reported to the Colorado Attorney General (<http://www.coag.gov/node/1894>)

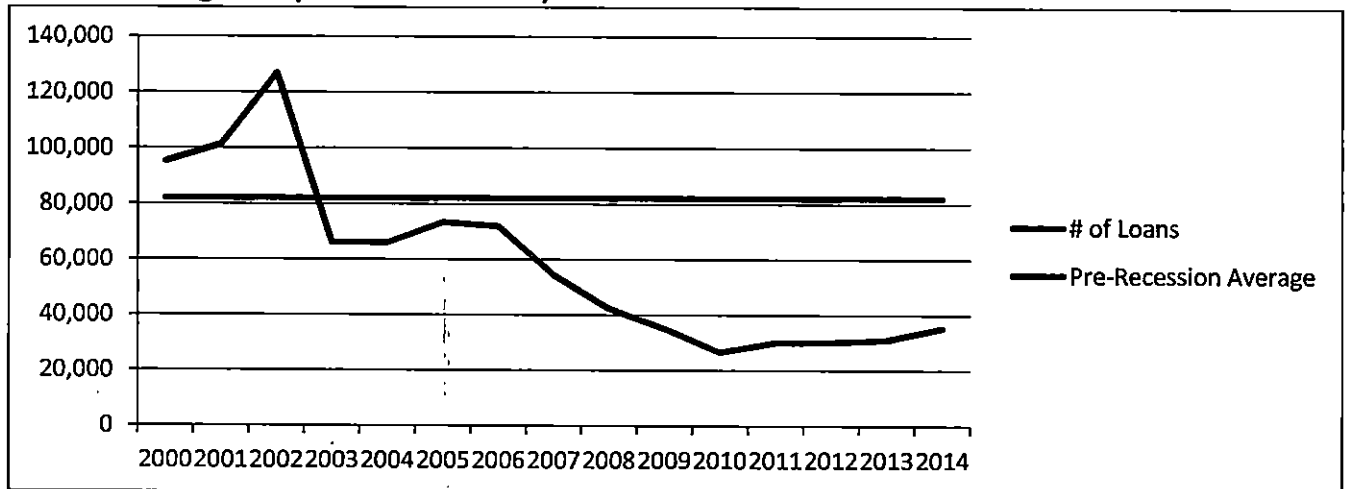
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- The number of loans in Colorado declined by **63%** between 2000 and 2014, during the period when the current rate brackets have been in place.



- There were **46,800** fewer loans in 2014 than the annual average during the pre-recession years between 2000 and 2007.

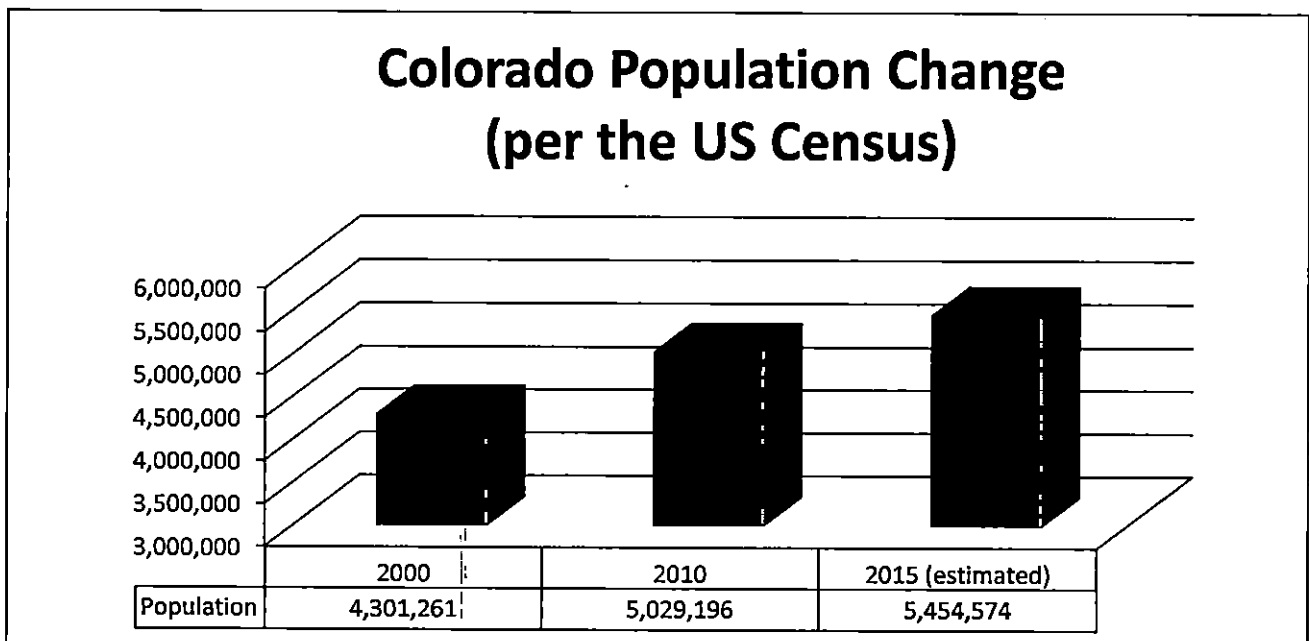


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- Colorado's population increased by 1,155,313 residents between 2000 and 2015, during the period when the current rate brackets have been in place. This is an increase of 26.86%.
- The increase in population since 2000, coupled with the drastic decline in loans and companies offering them, is evidence that Coloradans' access to credit is not being met by traditional consumer finance companies in Colorado.



MYTHS vs FACTS
SB16-185

Myths vs. Facts

Myth: Supervised consumer loans are predatory lenders

Fact: Supervised consumer loans are alternatives to predatory lenders. The Center for Responsible Lending (CRL) has identified five (5) specific characteristics that they believe, must be included in any loan product to be considered a “Responsible Small Loan” product and a viable alternative to payday lending (<http://www.responsiblelending.org/state-of-lending/reports/10-Payday-Loans.pdf> Page 2). The companies that will operate under this bill adhere to CRL’s characteristics.

Myth: SB16-185 will increase interest rates on consumers by \$9.5 million

Fact: While SB16-185 will adjust amounts under the rate brackets, it will also allow companies to dive deeper into the risk, providing MORE people an affordable alternative to predatory lending. In addition, the interest rate is determinant upon the credit score and allowed amount. The number the opponents are using assumes that in every case, consumers would get the maximum rate. That is not how these companies determine loan rates.

Myth: There is no need for this change as the industry is thriving and profitable.

Fact: Opponents try to fudge national profit numbers to correlate to the state of Colorado. Colorado is the lowest yielding state for Springleaf Financial, as it was for both Springleaf and One Main Financial last year before the acquisition. In today’s economic system, a profitable state elsewhere does not subsidize another non- or minimally profitable state. Over the past nine years, Springleaf and One Main have closed 24 branches. This is in addition to a number of companies completely leaving the Colorado market. In 2000, the total number of supervised loans (closed end/fixed term) was 95,289 totaling \$1,079,584,616. In 2014, the total number of supervised loans was 35,307 totaling \$282,698,698. Per the number of loans, this is a decrease of approximately 63%, and per number of dollars loaned, it is a decrease of approximately 74%.

Myth: Coloradans do not have a problem accessing these loans

Fact: Colorado residents with weaker credit scores have 22% less access to installment loan options compared to the rest of the U.S. Because rates haven’t been adjusted in close to twenty years, less people qualify for these safe lending alternatives because the risk is too high. By updating these amounts, SB16-185 will allow these companies to loan to more people.

Myth: Updating the amounts under the interest rate brackets is bad for Coloradans.

Fact: Too many Colorado communities face financial deserts. By not updating the statute, the safe, financial lending alternatives is further limited. If companies such as Springleaf and One Main are driven from the market (as most of the industry has been), the only alternatives for consumers is predatory, unfixed, high-interest rate loans, which will further perpetuate consumers into debt treadmills. These companies offer secure loans and allow consumers to build their credit, working their way back into banks and credit unions. Expanding these lending options help Coloradans escape debt cycles and provides them alternatives to predatory lending.

Myth: Lobbyists are trying to “sneak” through the legislation

Fact: Opponents of the legislation last year were invited and attended a stakeholders meeting in January. At that meeting, they were informed that legislation would be introduced this year and were asked for ideas on alternatives and a compromise. Even though they offered no support or input, the proponents of the legislation worked to introduce different legislation that only asks for cost of living adjustments. There is no other industry that is not allowed cost of living adjustments.

Support SB 16-185 (Scott/Melton)
Mainstream Consumer Loans

The Problem

For millions of American families, living paycheck to paycheck is nothing new and for a variety of reasons, such as a low credit score, no banking or credit history, it is not an option to easily access loans from credit unions or banks. This means that when it comes to borrowing money, many consumers have limited choices.

Small installment loan operations offer fixed, secured and underwritten loans to these consumers, allowing them a safe, non-predatory avenue for accessing money and building credit. Statutes pertaining to these operations haven't been updated in 16 years. Because of this, the financial sustainability of these types of operations in Colorado are in jeopardy. The number of these facilities has decreased, and today, only one company remains in the state of Colorado. If this issue isn't addressed, the financial service "deserts" that Colorado communities face will only be exacerbated. If small installment loan operators are no longer financially sustainable and have to close, consumers only alternatives will be predatory lending services, such as payday, title, pawn and internet lending, which typically has an APR well in excess of 400%.

The Solution

The amounts under the interest rate brackets have not been updated in statute since 2000. Of the one company remaining, Colorado is the lowest yielding state. This in combination with the fact that there has been a significant increase in unregulated internet lending has left this industry at a significant competitive disadvantage in Colorado, and there has been an exodus of the industry here. **The bill simply directs Colorado's Attorney General's office to implement a cost of living adjustment on the amounts under each rate bracket.** This will allow these safe, underwritten loans to continue to compete against unregulated loans. It will also encourage the industry to reinvest and expand operations in Colorado.

Consumer Protection

The Center for Responsible Lending (CRL) has identified five (5) specific characteristics that they believe, must be included in any loan product to be considered a "Responsible Small Loan" product and a viable alternative to payday lending (<http://www.responsiblelending.org/state-of-lending/reports/10-Payday-Loans.pdf> Page 2). The companies that will operate under this bill adhere to CRL's characteristics.

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Urban League of
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*Our mission is to help African
Americans and other residents of
Denver attain self-reliance,
equality and self-respect.*

April 18, 2016

Dear Chairman Senator Tim Neville and Members of the Senate Finance Committee:

Consumers who encounter financial challenges often have limited choices. High APR payday and title loans are often the only options for poor and minority communities. The Urban League of Metropolitan Denver prides itself on fighting for the interests of communities of color and the need to move these communities into the financial mainstream.

Given the limited availability of mainstream options and the need for safe and affordable services to meet the needs of these communities, we are happy to lend our voices to the push to offer these services throughout Colorado. SB 185 has been drafted to satisfy these needs. We encourage you to support this bill since both the National Black Caucus of State Legislators and the National Hispanic Caucus of State Legislators have gone on record in support of this vitally important lending product (see enclosed resolutions).

Installment lending is fundamentally different from the other financial services that populate poor and minority communities. This product adequately tests a consumer's ability to repay the loan, performs appropriate underwriting to ensure that the consumer has adequate free cash flow to affordably repay the loan and, most importantly, reports repayment history to the credit bureaus which helps consumers build their credit ratings. In light of the alternatives, we believe this is the best and safest product available to consumers who need short-term credit options.

Please consider passing this important legislation if it passes in the legislature.

Sincerely,



Sean Bradley

President and CEO

Urban League of Metropolitan Denver