

February 18, 2020

Chairman Brandt Iden  
Michigan House of Representatives  
Committee on Ways and Means  
P.O. Box 30014  
Lansing, MI 48909

**RE: HB 5097 -- SUPPORT**

Dear Chairman Iden:

On behalf of Purpose Financial, the parent company of Advance America, a leading provider of regulated consumer financial services with 141 stores and 320 employees in Michigan, I am writing to voice strong support for HB 5097. **HB 5097 would strengthen Michigan residents' access to credit, bridging a gap in the credit market for those who need a little more money and more time to repay.** This addition of credit access would have resounding benefits for Michiganders' personal financial security, as well as the financial health and economies of our local communities.

#### **MICHIGANDERS BENEFIT FROM A COMPETITIVE CREDIT MARKETPLACE WITH MORE REGULATED OPTIONS**

A regulated, competitive small-dollar lending market with a variety of credit options is in the best interest of consumers, affording financial inclusion and consumer protections. In a recent report, the Federal Reserve Bank of New York examines credit health at the state and county level, and finds that access to credit at choice – the ability of residents to choose from an array of competing credit products – provides essential economic mobility and resiliency, at the individual and community levels.<sup>1</sup>

Many hard-working families in Michigan and across the country struggle to make ends meet and live paycheck to paycheck. The Federal Reserve Board finds that nearly four in 10 American adults do not have \$400 to cover an unexpected expense without selling something or borrowing money.<sup>2</sup> Non-bank consumer lenders like Advance America provide access to regulated credit for thousands of Michigan residents, helping them manage periodic financial challenges and unexpected expenses, particularly when their bank or credit union does not fully serve their unique needs. They choose to borrow from my company because they appreciate the flexibility, reliability and transparency of state-regulated lenders and find us to be cost-competitive.

As a licensed lender, Advance America works with each and every customer to ensure they are successful borrowers, beginning with making loans that meet but not exceed their needs. Through our qualification and underwriting process, we evaluate customers' ability to repay a small-dollar loan based on dozens of factors. We do not authorize loans that are more than our customers can afford to repay; doing so would make very little business sense.

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<sup>1</sup> Federal Reserve Bank of New York. (2019) Unequal Access to Credit: The Hidden Impact of Credit Constraints. Retrieved from: <https://www.newyorkfed.org/outreach-and-education/community-development/unequal-access-to-credit-hidden-impact-credit-constraints>

<sup>2</sup> Federal Reserve Board. (2019) Report on the Economic Well-Being of U.S. Households in 2018. Retrieved from: <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>

That said, there is no one-size-fits-all lending solution that meets the needs of every potential borrower. Michigan consumers come to regulated lenders with varying credit needs and preferences. While many are well-served by the existing two-week deferred presentment product, other consumers are in need of slightly larger loans or longer terms. In Michigan's current small-dollar lending market, consumers in need of such a loan have few, if any, regulated options, as most banks and credit unions do not offer widely accessible mid-sized, mid-term loans.

#### **HB 5097 CREATES A CONTINUUM OF CREDIT**

The installment loan option created by HB 5097 would fill this gap in the consumer lending marketplace, bringing parity to the credit marketplace and creating a continuum of credit in Michigan. All borrowers would have access to regulated, cost-competitive credit across a range of principal amounts and terms, from deferred presentment to installment loans up to \$2,500 repaid over at least 90 days. Presented with safe, transparent, regulated options, consumers would be empowered to choose the loan that makes the most sense for their needs. Access to slightly larger, longer term loans would also allow Michiganders to gain valuable credit experience and establish themselves as successful borrowers, helping to prepare them to qualify for and repay traditional loans from their bank or credit union and build increasingly prime credit.

#### **HB 5097 ADDS CREDIT OPTIONS ALONGSIDE CRITICAL CONSUMER PROTECTIONS**

HB 5097 provides a new, responsible and innovative option for meeting Michiganders' evolving financial needs. Notably, the addition of this new installment loan option will afford consumers the benefits that come with access to a wide variety of well-regulated, competitive financial solutions, while providing critical consumer protections and guard rails. Fees are limited to 11 percent per month; all lenders will have to assess consumers' ability to repay; and lenders cannot charge a penalty for prepayment. Existing protections such as the statewide database will also apply. By providing a regulated small-dollar installment option, consumers are protected from the harm caused when a lack of credit choices forces them to turn to costly, less-regulated, even unlicensed alternatives.

As you consider this legislation, Purpose Financial and Advance America are committed to working with you to identify ways to help meet Michiganders' financial needs and strengthen their access to regulated credit. These needs are not going away; consumers will benefit from a dynamic market with more choices. Coupled with Michigan's existing deferred presentment regulations, HB 5097 provides necessary, effective safeguards while enabling consumers to choose the credit solution that is right for their financial situation.

Sincerely,

Ron Hicks  
Senior Director, Government Affairs