



**Testimony of Lorry S.C. Brown
On Behalf of the Michigan Poverty Law Program (MPLP)**

**House Committee on Financial Services
House Bill 4515**

Chairman Farrington and members of the Committee, thank you for the opportunity to provide testimony regarding House Bill 4515. I am Lorry Brown, the statewide consumer law attorney at Michigan Poverty Law Program. Michigan Poverty Law Program (MPLP) is the statewide support office for legal services programs. MPLP advocates on behalf of the state's low-income residents on issues in the areas of low-income housing, elder, public benefits, family law, consumer protections, and foreclosure prevention.

Although the most effective way to protect consumers is to impose a rate cap, such as 36%, on small dollar loans, the Michigan Poverty Law Program supports this bill because it further protects consumers from spiraling into a cycle of debt and other financial consequences. This bill requires a 30-day cooling off period and requires that the lender must first determine whether the borrower can repay the loan. We support these protections.

The 30-day cooling off period will prevent the practice by some lenders of having a customer "extend the loan" for a fee – essentially a de facto rollover. It is long recognized that rollovers in payday loans is a significant contributing factor in placing a borrower in the debt trap.

The ability to pay requirement will also protect borrowers from the cycle of debt. Currently, lenders provide these loans without determining the borrowers' ability to pay. Payday loans require no credit check, and lenders do not generally ask about monthly expenses or debts. The only thing required to obtain a loan is personal identification, a checking account, and proof of anticipated income from a job or government benefits.

This bill specifically requires that the lender must verify and document whether the borrower can repay the loan. By requiring documentation, the lender is doing more than relying on the borrower's representation. The lender must verify and document income and expenses and credit history. By making sure the borrower can repay the loan

given their existing debt obligations, we will protect consumers from getting caught in a cycle of debt they cannot escape.

MPLP is grateful to Representative Sowerby and Chairman Farrington for being willing to talk about protecting consumers and we look forward to future discussions on what else can be done to build on these protections. This bill is a much-needed part of the continuum of protection for consumers. The Michigan Poverty Law Program, on behalf of Michigan's low-income residents, supports it and encourages you to vote for it.

Thank you.

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