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HavePurpose.com

March 17, 2024

Dear Chair Carter and members of the House Insurance and Financial Services Committee:

Thank you for the opportunity to provide testimony in opposition to SB 632, which would eliminate a much-needed source of regulated credit for Michiganders. I represent Purpose Financial, a consumer lending company based in South Carolina, which has been in operation over 25 years and is the parent company of Advance America. We offer licensed, regulated lending services in 23 states. Our sole purpose is to help each customer achieve their version of financial stability in the moment and in the future. We make solutions accessible, simple and straightforward so that our customers have the tools and resources they need to succeed.

In Michigan, we are a licensed deferred deposit lender operating 77 branch locations and employing nearly 180 Michiganders. We have a long history of working with Michigan legislature to establish appropriate consumer protections balanced with access to credit for consumers. We are a member of Regulated Lenders of Michigan (RLM), an association of licensed lenders. RLM has also submitted a letter in opposition to SB 632.
Our customers are hardworking Michiganders with an average age of 49, average monthly income around $3700 and nearly 50% are homeowners. All borrowers have a bank account and source of income. They may be underbanked - meaning they do not have access to credit through their bank or credit union - have damaged credit or may be credit invisible (no credit score.)

Our customers appreciate our products and services. They are often referred by friends and family members. They are grateful we are in their communities and able to help them in times of need, as evidenced by a 4.97 out of 5 Google review rating.
Under the Michigan deferred presentment statutes, we are able to offer loans up to $600, which are payable on next scheduled pay date (no less than 7 days, no more than 31.) A borrower may have no more than 2 outstanding loans (1 per licensed lender), a provision enforced by a statewide database. Fees are also set in statute in the amounts of $15 for the first $100 borrowed, $14 for the second $100, and so on; $11 for $401-600 plus a database fee as set by DIFS.

All fees are disclosed to borrowers, both in loan agreements and prominently displayed in-store and on our website, as an APR in compliance with the federal Truth in Lending Act. A borrower is allowed to extend the due date up to 31 days if needed. If a borrower reaches 8 loans within a 12-month period, lenders are required to offer an extended payment plan with 3 payments scheduled over the course of up to 100 days.
You'll hear more about how these loans work and the borrowers who use them from Advance America Area Manager Sarah Faust, who manages one of our branch locations in Lansing.
Michigan is a bit unique in that it is one of only a handful of states that allow only for this single pay (payday) loan product in statute. Many states also allow for a bit larger dollar and longer-

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term installment loan, which can be provided at a lower rate and is more flexible to better meet consumer needs. The reality is $600 doesn't go as far as it used to.

A 36% APR cap on deferred presentment loans would be an effective ban on short term consumer lending in the state. Such a cap on a 2-week deferred presentment loan would result in a fee of $1.38/$100 loaned. Even setting aside the significant default risk, lenders cannot operate at this rate.

While the stated annual percentage rate sounds extremely high, reaching 390% APR would require a borrower to take out a deferred presentment loan every 2 weeks for an entire year. This simply does not happen, nor could it happen given the protections built into Michigan's existing law.

Purpose Financial, and other licensed short-term lenders, no longer operate in any of the 9 states where such caps have been adopted. There are currently no licensed lenders in Nebraska following 2020 enactment of 36% rate cap. A recent academic study in IL showed similar results as well as negative impact on consumers who previously had access to this type of credit. After that law took effect, over 40% of those former borrowers said they had paid bills late and incurred additional fees, nearly 30% said they skipped or cut back on everyday expenses and about 10% had experienced a utility disconnection (electric, cable, wifi, cellular.)

We welcome the opportunity to visit with you and provide additional information on our services, our customers and the importance of balancing access to credit with consumer protections.

Sincerely,

Julie Townsend
VP, Government Affairs