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PROPONENT TESTIMONY

House Financial Institutions and Pensions Committee

HB 2812

AN ACT concerning financial institutions; relating to the Kansas mortgage business act; uniform consumer credit code; pertaining to certain definitions, terms and conditions contained therein; modifying consumer loan finance charges and repayment terms; record requirements; credit card surcharge; definition of earnings and days; increasing the threshold for certain consumer loans and leases; origination fees for non-real estate transactions; clarifying license requirements to make supervised loans; exempting supervised loan license form filing notifications; transferring mortgage provisions contained in the Kansas consumer credit code to the Kansas mortgage business act; clarifying entities exempt for licensing.

**Whitney Damron
On behalf of the
Kansas Community Financial Services Association, Inc.**

March 11, 2024

Good morning, Chairman Hoheisel and Members of the Committee:

I am Whitney Damron and I represent the Kansas Community Financial Services Association, Inc., which is composed of small dollar lenders operating in Kansas. Our members make short term loans, including payday loans to Kansas consumers and several of our members have operations have multistate operations.

By way of information for the Committee, my remarks in support of HB 2812 pertain to Section 52 of the bill, beginning on page 58, line 42, making amendments to K.S.A. 16a-2-404 et. seq., which deals with payday loans (specifically, 16a-2-404 new subsection (7), pages 59-60).

Some committee members have heard me talk about these financial transactions before. The loan is straightforward and easy for the consumer to understand and determine the amount they wish to borrow when repayment is required and what the loan will cost. A typical transaction is for several hundred dollars (\$500.00 maximum), with a fee charged of not more than \$15.00 per \$100 borrowed and the length of the term is typically two weeks (i.e., to the borrower's next payday). A borrower must have a job and a checking account to enter into a transaction.

Payday loan transaction rates in Kansas are among the lowest in the United States and as low as or lower than our surrounding states. We have some of the strongest pro-consumer protections in statute including military best practices lending requirements, forms required to be available in Spanish, 24-hour right of rescission, no loan rollovers, no criminal prosecution for bad checks, a limit of two outstanding loans per customer and other consumer protections, most, if not all of which were supported and even proposed by the payday loan industry.

Which brings me to HB 2812 and Section 52. Dating back to the 2021 session, our association proposed a customer off ramp when discussing possible changes to payday loan laws with House Financial Institutions Chair Jim Kelly. The national association of small dollar lenders, the Consumer Financial Services Association of America (CFSA) endorses extended repayment plans under their suggested Best Practices, dating back to 2018.

During the fall of 2023, we were invited to participate in discussions with stakeholders interested in updating the State's Uniform Consumer Credit Code (UCCC) and we appreciated the outreach. We worked with the Office of the State Bank Commissioner on the language found in HB 2812 dealing with payday loans and stand in support of its inclusion in this legislation.

Specifically, a consumer who is unable to repay an outstanding payday loan may request an extended repayment plan of not less than four equal installments with at least two weeks between each payment. Such a request shall be made before the close of business on the last day before payment on an outstanding loan is due.

Prepayment is allowed without penalty, is at no additional cost to the borrower, and no additional interest or fees shall accrue during the repayment period.

A borrower may enter into an extended repayment plan once during a twelve-month period and during a repayment period, no additional loans may be made to the borrower.

Lenders are required to prominently display the availability of extended payment plans where loans are made and disclose the availability in loan agreements.

As you can see from the terms of an extended repayment plan, the terms are simple for the consumer to understand and straightforward. Just like the loan itself.

In addition to providing an extended repayment plan for payday loan customers, HB 2812 opens the door to other financial products, which will create even more options for borrowers who need access to credit, and we support those portions of the bill as well.

The Kansas Community Financial Services Association requests the Committee retain the extended repayment plan language in HB 2812, and we stand with the other proponents of this legislation and ask the Committee to advance the bill to the floor as currently drafted.

I am pleased to stand for questions at the appropriate time.

Whitney Damron
Kansas Community Financial Services Association, Inc.