



OPPOSITION TESTIMONY

Senate Financial Institutions and Insurance

SB 218

An Act concerning the uniform consumer credit code; relating to consumer loans; providing restrictions and requirements for certain alternative small installment loans; requiring lender reporting.

March 24, 2021

**Melissa Soper, Senior Vice President of Public Affairs
CURO Financial Technologies Corp.**

Dear Chairman Longbine and Members of the Committee:

Thank you for the opportunity to submit written comments as well as provide oral testimony for today's hearing on short term credit in Kansas. For the record, my name is Melissa Soper. I am the Senior Vice President of Public Affairs for CURO Financial Technologies Corp. (CURO), one of the businesses impacted by SB 218.

Founded in 1997 in Wichita, Kansas, CURO is a tech-enabled, multi-channel and multi-product consumer finance company serving a wide range of underbanked consumers in the U.S. and Canada. We offer convenient credit options to subprime borrowers whose needs are not being met by traditional financial institutions. We currently operate through our retail storefronts and online in 34 states and seven Canadian provinces, employing approximately 4,000 people, with 826 team members in our Kansas headquarters.

In Kansas, CURO operates online at www.speedycash.com and through our 10 retail storefronts under the brand name, "Speedy Cash." We are licensed, regulated, and examined by the Kansas Office of State Bank Commissioner, and our consumer lending transactions are governed under the Kansas Uniform Consumer Credit Code (UCCC), which provides for the manner in which credit transactions may be structured, setting limits on fees, interest, and other charges as well as providing for a number of strict consumer protections. Our credit options for Kansans include single payment payday loans, unsecured lines of credit, and auto title loans.

While we offer three credit options to Kansas consumers, a majority of our customers choose a line of credit because it provides the most flexibility. The line of credit product functions much like a credit card.

- Customers must qualify and be approved for a specific credit limit. The customer may then draw the funds they need paying interest only on the outstanding principal amount. For example, a customer is approved for a line of credit of \$700. They draw \$300 on that line of credit. They pay interest only on the \$300 principal amount, not on the total amount approved.
- Customers also have options in how they repay their line of credit. They may pay only the minimum payment due, which includes the interest and a percentage of the principal, they may pay a larger portion of principal or they may pay the entire amount due.
- The cost of the credit is simple. We charge interest of just under one percent per day on the outstanding principal. There are no upfront fees, loan origination fees, or monthly maintenance fees. If a customer needs extra time to repay, they can simply call our stores or call center and we will extend the payment date. We never charge late fees.

As a company, our goal is to work with customers to be successful borrowers; if that means setting up alternative payment schedules to keep an account in good standing, that is what we do because it makes good business sense.

Nonprime consumers in Kansas have a broad range of credit products available to them through state licensed lenders with robust consumer protections. As a state licensed lender, we comply with state regulations and 18 federal laws governing credit transactions, including the *Truth in Lending Act* and the *Fair Debt Collections Practices Act*. We are also routinely audited by both the OSBC and by our federal regulator, the Consumer Financial Protection Bureau.

If passed, SB 218 will dramatically change the marketplace for small dollar loans in Kansas, making access to credit for nonprime consumers more difficult. SB 218 eliminates the payday loan product and provides for small dollar loans under \$2,500 only to the most credit worthy of near prime borrowers. Offering small dollar loans under a 36% interest rate with a \$25 underwriting fee and a minimal monthly maintenance fee to risky borrowers is not a viable business model.

The average FICO score of our customer is 575. Credit scores are impacted in many ways and for small dollar loan customers, it is not a true reflection of their ability to repay. To render lending decisions, CURO utilizes information provided by the customer and couples that with a proprietary underwriting model, which takes into account more than a dozen different data points purchased from external subprime specialty credit bureaus. Currently, our underwriting models for Kansas deny 57% of new applicants.

Operational costs, technology costs, underwriting costs, and the cost of capital make lending to the nonprime customers we serve unprofitable under the provisions of SB 218. As a lender across several states, I can share a number of examples to demonstrate this point.

- In California, PEW charitable trusts supported a bill with a 36% rate cap plus the federal funds rate and, an origination fee of \$75. On the bill's effective date, CURO withdrew its existing installment product and auto title product. Three of the lenders supporting the California bill – OneMain Financial, Oportun, and LendMark – asserted they would meet the needs of the more than \$1 billion in credit that was being provided by nonprime lenders such as CURO. This has not happened according to TransUnion, one of the three main credit bureaus, who just reported on their 2020 loan data (see Attachment) for California, “*In California, new regulation cleared the installment market, pushing traffic to sovereign lenders and payday loans.*” Sovereign lenders are not state regulated, and for California, payday loans are limited to \$255. This is not a solution for nonprime consumers struggling to make ends meet when an unexpected expense arises.
- In Virginia, PEW worked with a bill sponsor to pass a bill similar to SB 218. On the effective date of the bill, CURO, along with other companies, ceased to offer the line of credit product because it was no longer viable under the new law. The Virginia bill took effect on January 1 of this year so the full impact on consumers and the credit market overall is yet to be measured. In one year's time when credit availability in Virginia can be measured, we expect the results will be very similar to the dramatic impact on nonprime borrowers measured in California.
- In Ohio, we continued lending online under the new regulations but only with a limited loan amount of \$300 for a term of 4 months. Our loan book in Ohio continues to lose money and we are presently working on our withdrawal from the Ohio market.
- In Colorado, we have tried to work with the change in regulations as well. Unfortunately, we are closing 2 of our remaining 3 stores and we will re-evaluate the viability of that one remaining store by the end of the year.

Traditional installment lenders currently offer loans to Kansas consumers, but their loan types and customers are very different from the customers served by CURO. In recent Kansas testimony, OneMain reported that their average loan is \$10,000 with an average term in excess of four years. Their customer's average FICO score is 630. By comparison, the average FICO score of a Speedy Cash customer is 575 in Kansas, and the

average approved credit line is less than \$700. Furthermore, OneMain does not offer loans below \$1,500. We serve different customers with different products for very different needs.

In Kansas today, there is a broad spectrum of lenders and a broad spectrum of credit choices that range from a \$500 payday loan to a traditional bank or credit union loan. At the lower end of the FICO scale, consumers access smaller loans with shorter durations. These loans carry higher costs based on the risk and the difficulty in underwriting consumers with thin or no credit files. Consumers with near prime credit scores in the mid 600's access larger loans at lower costs where lenders depend on a longer term to make loans profitable.

Lenders that support SB 218 are not precluded from offering Speedy Cash customers a lower rate loan today, but they don't. The fact is, we serve different customers on the credit spectrum. Proponents of SB 218 would simply like companies, like Speedy Cash, to offer loans to high-risk customers at a lower rate – one that is economically not viable. As a public company, it's easy to verify that CURO's annual net income is less than a bank or credit union and also less than the traditional installment lenders, like OneMain.

SB 218 would eliminate a significant number of small dollar loan options and dramatically change the landscape in Kansas. For this reason and on behalf of my customers and my 826 Kansas team members, we oppose SB 218.

Over the weekend, I received the names and hometowns of 270 Kansans who also oppose this legislation. For the record, I have attached this list to my testimony.

Thank you for the opportunity to provide written and oral testimony. I am happy to answer any questions you may have.

Sincerely,

Melissa Soper

Melissa Soper
SVP, Public Affairs

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Email: MelissaSoper@curo.com

Attachments:

TransUnion, *Alternative Lending Advisory Board, January 2021 Pulse Check*, January 26, 2021
Additional Kansans who oppose SB 218

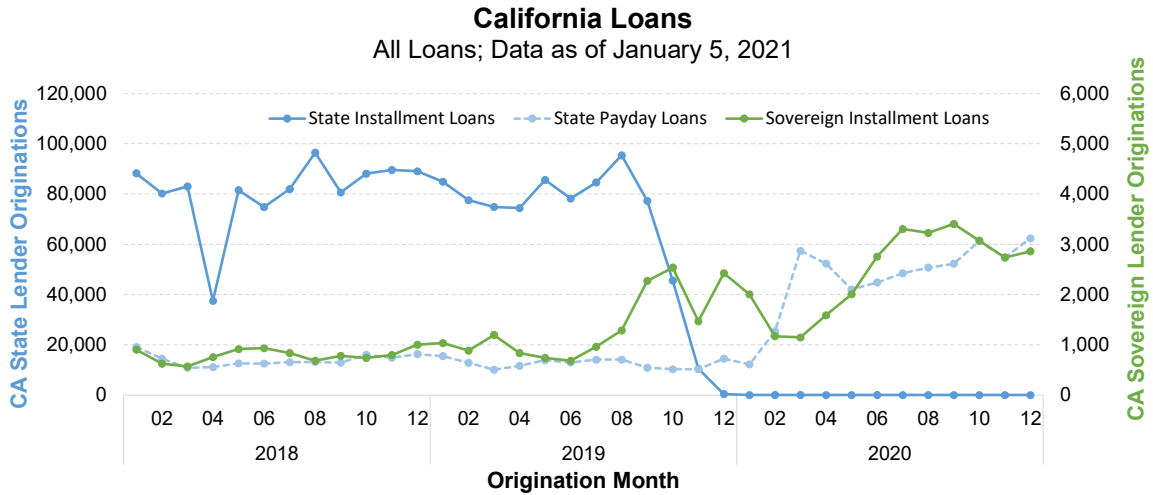
Attachment:

TransUnion, *Alternative Lending Advisory Board, January 2021 Pulse Check*, January 26, 2021

Personal Loans



In California, new regulation cleared the installment market, pushing traffic to sovereign lenders and payday loans



Source: TransUnion alternative credit database
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Attachment: Kansans Oppose SB 218

Jeanetta Thompson - Arkansas City
Lillian Bledsoe - Augusta
Tammy Smalley - Benton
Krystal Willett - Benton
Claudia Chaparro - Benton
David Terry - Burrton
Brianna Tomlin - Derby
Jaime Potts - Derby
Bridget Schamahorn - Douglass
Jasmine Richardson - Haven
Debra Harris - Haven
Joslyn Kaltenbaugh - Haven
Dylan Kaltenbaugh - Haven
Barbara Sprayberry - Haysville
Karina Lira - Hutchinson
Melinna Acevedo - Hutchinson
Wendy Uphoff - Hutchinson
Alonna Acevedo - Hutchinson
Christopher Perez - Hutchinson
Esgar Lopez - Hutchinson
Ashley TenBraak - Hutchinson
Ethan Uphoff - Hutchinson
Calub Emery - Hutchinson
Michelle Stahl - Hutchinson
Amenda Hembree - Hutchinson
Brianna Stahl - Hutchinson
Nate Davis - Hutchinson
Angie Cenicerros - Hutchinson
Sarah Lopez - Hutchinson
Mia Cunningham - Junction City
Karina Martinez - Kansas City
Mary Gordon - Kansas City
Osiris Arreola - Kansas City
Regina Guiden - Kansas City
Ismael Martinez - Kansas City
Christina Randa - Maize
Casey Godown - Maize
Ashraph Tabtab - Maize
LaDahl Burk - McPherson
Claudia Perry - McPherson
Edwin Atwood - Mulvane
Areli Torres - Newton
Erika Jones - Newton
Jerry Clark - Newton
Jenna Stricker - Olathe
LaQuinta Salter - Parsons
Tasha Hatton - Peabody
Charles Stricker - Prairie Village
Amy Jones - Salina
Kalie Martin - Salina
Sarah Zimmerman - Sedgwick
Shabrie Gray - Topeka
Chandra Hagler - Topeka
Dorian Miller - Topeka
Jeremiah Hagler - Topeka
Sandy Hughes - Topeka
Madison Utech - Topeka
Angelica Anguiano - Topeka
Roc'Quele Cunningham - Topeka
Michael Cunningham - Topeka
Alyssa Mendez - Topeka
Tracy Bengtson - Wichita
Hazel Jay-Nesahkluah - Wichita
Karen Alvarado - Wichita
Anan Lira - Wichita
Ayme Vega - Wichita
Parishon Fagan - Wichita
Ruby Reyes - Wichita
Ivonne Gonzalez - Wichita
Ana Crespo-Fernandez - Wichita
Kelsey Wellner - Wichita
Aracely Campos-Torres - Wichita
Marianna Antuna-Villarreal - Wichita
Arely Bojorquez - Wichita
Juan Gutierrez - Wichita
Efrain Torres - Wichita
Adriana Lira - Wichita
Stacy Lira - Wichita
Araceli Torres - Wichita
Lexie Pitcher - Wichita
Sergio Torres - Wichita
Elizabeth Castaneda - Wichita
Wendy Funes - Wichita
Martin Castaneda - Wichita
Yrma Catano - Wichita
Valeria Corral - Wichita
Vanessa Gutierrez - Wichita
Tiffany Sanders - Wichita
Alexis Trotter - Wichita
Mayra Lira - Wichita
Deisy Ornelas - Wichita
Leslie Rodriguez - Wichita
Elena Briones - Wichita
Juan Lira - Wichita
Jose Villa - Wichita
Joe Richardson - Wichita
Tricia Richardson - Wichita
Carol Richardson - Wichita
Frida López - Wichita
Breanna Faldet - Wichita

Aleasha Graham - Wichita
Uriel Deluna - Wichita
Charles McCormick - Wichita
Timothy Fasel - Wichita
Joy Amore-Bishop - Wichita
Kristina Coleman - Wichita
Evelyn Gutierrez - Wichita
Annelise Mendoza - Wichita
Tamika Peters - Wichita
Stewart Berger - Wichita
Tiara Weaver - Wichita
Jessica Ascencio-Koehn - Wichita
Kelsey Allen - Wichita
Valencia Peoples - Wichita
Debra Williams - Wichita
Lindzey Hazell - Wichita
Brianna Johnson - Wichita
Alejandro Medina - Wichita
Jennifer Cox - Wichita
Amjad Abu Salman - Wichita
Amber Villa - Wichita
Josie Jamerson - Wichita
DeDawn Blake - Wichita
Alexis Unruh - Wichita
Norma Velazquez - Wichita
Jazmin Felts - Wichita
Emily Hayes - Wichita
Luis Carbajal - Wichita
Tasha Humphrey - Wichita
Donica Casey - Wichita
Sherrese Regier - Wichita
Jeanette Larumbe - Wichita
Gardenia Gonzalez - Wichita
Ramon Arambula - Wichita
Katina Johnston - Wichita
Andrea Loza Lujano - Wichita
Richard Murphy - Wichita
Megan Jost - Wichita
Ebony Askew - Wichita
Gabriela Crabtree - Wichita
Buffy McCarty - Wichita
Mary Piechocki - Wichita
Adriana Martinez - Wichita
Antoine Morrison - Wichita
Diana Moreno - Wichita
Francesca Strong - Wichita
Sierra Walker - Wichita
Heycha Ruiz - Wichita
Candice Gutierrez - Wichita
Angela Truman - Wichita

Alisha Hensley - Wichita
December Dixon - Wichita
Michelle Lewis - Wichita
Minda Smith - Wichita
June Diec - Wichita
Nicole Ellery - Wichita
Michelle Resa - Wichita
Robert Diec - Wichita
Lauren Diec - Wichita
Bethany Fields - Wichita
Alejando Rangel - Wichita
Nohely Villa - Wichita
Monica Graham - Wichita
Esmeralda Andrade - Wichita
Noel Longoria - Wichita
Justina Sharp - Wichita
Matthew Marcum - Wichita
RonTisha Bradwell - Wichita
Shaquana Lewis - Wichita
Leslie Rogers - Wichita
Brittany Whitted - Wichita
Ashley Wright - Wichita
Jessica Espinoza - Wichita
Ron Rotramel - Wichita
Carrolyn Rotramel - Wichita
Carlaitha Richard - Wichita
Allen Gibbs - Wichita
Kristina Patton - Wichita
Nancy Gibbs - Wichita
Coda Gibbs - Wichita
Claudia Wells - Wichita
Julie Le - Wichita
Alexandria Hayes - Wichita
Tonya Hood - Wichita
Cassi Luthi - Wichita
Allester Wells, Jr. - Wichita
Evan Chavez - Wichita
Samantha Bugger - Wichita
Alyssa Maldonado - Wichita
Marian Smazer - Wichita
Cinthia Guerrero - Wichita
Nicholas Maldonado - Wichita
Sean Maldonado - Wichita
Nancy Williams - Wichita
Brennon Benoit - Wichita
Tiani Coleman - Wichita
Rhiana Smith - Wichita
Esmeralda Martinez - Wichita
Tranice Jones - Wichita
Annabell Blea - Wichita

Destiny Baker - Wichita
Montsho Riggins - Wichita
Jennifer Davis - Wichita
Susana Enriquez - Wichita
Breshauna Jackson - Wichita
Lea Tatum - Wichita
Kenneth "Kenny" Green - Wichita
Veronica Hernandez - Wichita
Kim Mathews - Wichita
Sophia Romero - Wichita
jocy lopez - wichita
Danetta Brown - Wichita
Dustin Christenson - Wichita
Victor Castillo - Wichita
Leonard Johnson - Wichita
Sarah Kruger - Wichita
Jill Hendricks - Wichita
Jasmin Loya - Wichita
Monica Ramos - Wichita
Cortajia Williams - Wichita
Analie Valdez - Wichita
Diana Masters - Wichita
Valeria Aguilera - Wichita
Brandy Crawford - Wichita
Amy Bicalho - Wichita
Susan Maldonado - Wichita
Timothy Pullins - Wichita
Rosalva Ocampo - Wichita
Mary Petersen - Wichita
Jennifer Quezada - Wichita
Michael Salcedo - Wichita
Sandra Rangel - Wichita
Gabrielle Fisher - Wichita
Ivan Mendoza - Wichita
Emily Schuessler - Wichita
Noemi Ayuste - Wichita
Paola Rosales - Wichita
Anahi De la torre - Wichita
Angela Lujano - Wichita
Anacelia Marquez - Wichita
Ricardo Escalera - Wichita
Daniel Castaneda - Wichita
Leticia Dominguez - Wichita
Cindy Carrillo - Wichita
Rita Gutierrez - Wichita
Angelica Ledezma - Wichita
Raul Lopez - Wichita
Ana Lopez - Wichita
Ernesto Marquez - Wichita
Rosalva Soza - Wichita

Jesus De la torre - Wichita
Miguel Gutierrez - Wichita
Carolina De la torre - Wichita
Jannelly Villarreal - Wichita
Wendy Funes - Wichita
Joshua Torres - Wichita
Adriana Lira - Wichita
Adrianna Villarreal - Wichita
Marco Antonio Villarreal - Wichita
Eduardo Marquez - Wichita
Michayla Whalen - Wichita
Cassi Clay - Wichita
Jennifer Hardwell - Wichita
Jennifer Stark - Wichita
Katrina Anthony - Wichita
Jaden Williams - Wichita
Travis Gibbs - Wichita
D'ove Fontelroy - Wichita
Nathan Randall - Wichita
Jennifer Flores - Wichita