

Greater Phoenix Chamber of Commerce

Urges Your Support of HB 2161

While no other business sector in Arizona has faced a sunset, the short-term consumer finance industry will be eliminated on July 1, 2010, unless legislative action is taken. Failure to act will increase job losses, adversely impact state and local tax revenues, and increase commercial real estate vacancies – all while doing nothing to eliminate the demand for these services.

The Greater Phoenix Chamber of Commerce **urges you to support HB 2161**, protecting jobs, benefits, and tax revenue while putting into place the necessary industry regulations that will create enhanced safeguards for Arizona's consumers.

Eliminates the “cycle of debt”

- ✓ Restricts the total amount a consumer can borrow at any given time from all lenders to a maximum of \$500.
- ✓ Eliminates a consumer's ability to rollover a loan.
- ✓ Implements a real-time statewide database to enforce the \$500 loan limit.
- ✓ Offers an extended payment plan - at no extra cost - for consumers who have trouble repaying.

Jobs and Revenue Impacts

- ✓ The industry generates more than 2,500 jobs in Arizona (most with health, dental, 401k benefits)
- ✓ Generates \$85 million in federal, state, and local taxes.
- ✓ Eliminating legitimate business does not reduce demand, but it does reduce jobs and increase commercial real estate vacancies.

Protects consumers through more stringent licensing requirements for lenders

- ✓ Protects consumers by requiring Internet lenders who do business with Arizona consumers to be licensed in Arizona and comply with the same laws and regulations that apply to storefront lenders.
- ✓ Raises the licensing standards by requiring lenders to have a net worth of \$100,000 per location up to \$2.0 million, ensuring that companies operating in Arizona are financially sound and qualified to do business with Arizona consumers.

Ensures consumers understand the transaction and make informed decisions

- ✓ Gives consumers up to two business days to change their mind and rescind the transaction at no cost if they decide it is not a good choice for them.
- ✓ Simplifies the loan disclosures given to borrowers to ensure full understanding of the loan terms and requirements.
- ✓ Educates consumers on the availability of consumer credit counseling services by requiring lenders to distribute such information.

Other restrictions on payday advances in Arizona

- ✓ Reduces fee to 15% of principal—no accruing interest, late fees or prepayment penalties.
- ✓ Limits NSF charges if consumer's check is returned unpaid.
- ✓ Ensures ongoing monitoring of the industry through annual reporting of industry data to the Governor and legislative leaders.
- ✓ Gives consumers the opportunity to elect to be an “ineligible borrower” and opt out of qualifying for short term consumer financial loans.

Pay Day Loans, HB 2161

Overview: Currently, the Department of Financial Institutions (DFI) regulates and licenses companies that provide deferred presentment services, commonly known as "payday loans." This service allows a company to make a short-term loan to a customer, accept the customer's check and agree to hold it for a period of time (at least five days) before presenting the check for payment or deposit. A customer may also pay back the amount with cash. If the customer is unable to pay, they may rollover or renew the loan by paying an additional fee.

Currently, there are 75 licensees with 603 total branches in the state of Arizona. According to statute, the industry will terminate on July 1, 2010, unless reauthorized by the law.

ANALYSIS OF PAY DAY LOANS	
CURRENT LAW	PROPOSED LAW CHANGES (HB 2161)
LICENSEES	
<ul style="list-style-type: none"> • Required to have a net worth value of \$50K to open any amount of store fronts in Arizona 	<ul style="list-style-type: none"> • Would require net worth value of \$100K for the first store front and \$100K for each additional store front (capped at \$2M) • Regular, expanded audits paid for by fee on the industry • Requires a license for internet Pay Day Loan providers • Each year, report is required by the industry, including: # of loans and their dollar amounts, fees collected, loans written off
CUSTOMER LOANS	
<ul style="list-style-type: none"> • Customers are permitted to have one loan up to \$500 • Lenders are prohibited from requiring a customer to put in writing that they only have one loan • Loan can be extended for a fee 	<ul style="list-style-type: none"> • Customers are permitted to have one loan up to \$500 (remains same) • Customer would be required to put in writing they have not exceeded the loan limit and do not have multiple loans • Eliminates loan rollovers • Creation of a "do not loan" list • Would create a database and verification system to ensure only one loan per customer, as well as if a false SS# is used, if the customer has a bank account, and has not been placed on a "do not loan" list • Customers would be able to obtain documents in either English or Spanish and in plain language • Would allow customers to cancel the entire transaction – without penalty or

	charge - within 2 days by returning borrowed money <ul style="list-style-type: none"> • DFI would produce a value of credit counseling document and identify organizations – Pay Day Loan companies would be required to distribute
MAXIMUM RATE CHARGED FOR LOAN¹	
<ul style="list-style-type: none"> • \$17.65 per \$100 	<ul style="list-style-type: none"> • \$15 per \$100
BAD CHECK (INSUFFICIENT FUNDS) FEES	
<ul style="list-style-type: none"> • Fees varied 	<ul style="list-style-type: none"> • “May not exceed what other merchants charge” • ARS 44-6852, \$25 plus actual charges assessed by the institution
SUNSET PROVISIONS	
<ul style="list-style-type: none"> • Industry set to terminate July 1, 2010 	<ul style="list-style-type: none"> • Sunset provisions repealed
CURRENT LAW	PROPOSED LAW CHANGES (HB 2161)

¹ Pay Day Loan terms vary. A typical term of a short term loan is 2 weeks (until the next pay period in Arizona), but can last 30 days.

Vote YES on HB 2161

Preserve Jobs and Millions in Tax Revenue

If the State of Arizona fails to act, on June 30, 2010 *our state will lose thousands of jobs and tens of millions of dollars in taxes* while suffering another major blow to our commercial real estate sector. Lawmakers have a chance to avoid this scenario and at the same time pass some much-needed reforms to the short-term consumer credit industry that extend far beyond what was offered on the ballot last year.

Compare for yourself	Prop 200 (2008)	HB 2161
Limited to \$15 per \$100 borrowed	YES	YES
Maximum of \$500 in loans allowed	YES	YES
Eliminates Rollovers	YES	YES
Enforced by comprehensive statewide database	NO	YES
Regular, expanded audits paid for by fee on the industry	NO	YES
Two-day right of rescission	NO	YES
Lenders required to distribute credit counseling information	NO	YES
Required license for internet lending providers	NO	YES
Annual Reporting to the State Required	NO	YES
Creation of "Do Not Loan" list	NO	YES
Plain Language disclosure requirements	NO	YES