

VOTE NO on HB 2071 – Small Installment Loan Act (Again.)

DON'T REPLACE ONE PREDATORY LENDING PRODUCT WITH ANOTHER

- **In November, voters clearly rejected triple-digit interest rates when they defeated Prop 200 by 60% to 40% statewide.** These loans are no different from payday loans, particularly when you consider the massive loan flipping involved. Records from companies making these loans in other states show that 70 to 80% of their loans are refinances or renewals from existing customers!¹
- **Voters clearly stated that the 36% cap should apply to all lenders.** No more special deals! The carve-out in this bill would allow these lenders to play by their own rules! Why do they need special rules when others already offer these loans in Arizona and across the country – at under 36%?
- **HB 2071 hinders a sustainable financial market:** Once in the market, all of these lenders charge the exact same rate. In the words of the CEO of Sun Loans/Brundage Management Andrew Morrison: "the intended 'ceiling' always becomes a 'floor' and everybody charges the same thing."²
- **Loan prices in this bill are based on profit, not risk:** The prices do not change based on borrower's credit score. Furthermore, HB 2071 provides **NO** requirements that a lender inquire to a borrower's ability to repay the loan. These are risky loans for the entire economy.
- **Consumers already have many choices:** There are already a number of choices for consumers to help manage temporary cash flow problems: charity and relief societies, friends and families, and existing AZ consumer lenders and credit unions that offer both secured and unsecured small loans under the terms of the existing rate cap – 36% APR. (see AZ Dept of Financial Institutions www.azdfi.gov)
- **This bill has already been defeated this session – in fact, this week!** On Tuesday, the House Banking and Insurance Committee rejected this bill in its former guise – HB2608. They did so because this bill would disrupt the free market, hurt individual consumers, and hamper our state's efforts at economic recovery.

If these issues sound familiar – they are. HB 2071 is the exact same bill the House Banking and Insurance Committee voted down this week and is the exact same carve-out that was defeated last session as HB 2672.

www.NoMoreLoanSharks.com

Outreach Director Kelly Griffith, Southwest Center for Economic Integrity (520) 250-4416

¹ Testimony of David Humphrey, Kansas City, House of Representatives, Feb 13, 2006; See also World Acceptance, 10-K, May 30, 2008.

² Andrew Morrison, "What's the Use of Usury?", Sept. 27, 2006, American Financial Services Association Conference