



October 11, 2017

Good afternoon Mr. Chairman and committee members. My name is Claudette Humphrey. I am the Director of Stabilization Services for Catholic Charities of Northern Kansas. As Director, I oversee the Kansas Loan Pool Project (KLPP). The program is the agency's initiative to assist clients with replacing their high interest payday and title loan debt with a traditional bank loan at dramatically lower interest rates. Thank you for the opportunity to speak to you today about this effort, the people it serves, and the serious issues these types of loans often lead to for consumers.

The KLPP is a collaborative loan program between Catholic Charities and Sunflower Bank. The program area encompasses the Catholic Diocese of Salina – 31 counties in north-central and northwestern Kansas. Its purpose is to free financially at-risk Kansans from the spiraling cycle of high-interest debt resulting from the predatory practices of the majority of businesses offering payday loans, lines of credit, and title loans.

As director, I have managed a pool of grant monies and charitable contributions in excess of \$100,000, earmarked for relief loans up to \$2,500 to qualified individuals. In addition to myself, the agency has a financial advocate in the Hays and Manhattan offices. The refinance loans carry a 6% interest rate and the KLPP funds, in a Sunflower Bank CD, are used only as security for each loan, so Catholic Charities realizes no gain. It is my responsibility along with the agency's executive director, on behalf of the bank, to screen applicants and to approve or deny their loan applications based on several factors including, and most importantly, the applicant's ability to repay over the loan term without incurring additional undue hardship.

Currently, the KLPP loan portfolio includes 30 individuals. There are 28 relief loans which are for consumers already caught in the debt cycle of predatory loans; and the remaining 2 loans are alternative loans which are loans made in lieu of utilizing a predatory lender. The total face amount of the 28 relief loans is \$36,130.94 which averages to \$1,290.39 per refinance loan. The alternative loans total \$1,712.60 which sets the average for these loans at \$856.30. I know each of these clients' stories well. KLPP staff meets monthly with every client for intensive case management and financial coaching. We work on individualized budgets, and we review concepts from the introductory financial education class that all approved applicants must complete. We discuss the status of their loans and new financial behaviors which they are working to reinforce over the life of their loans, which varies between 6-24 months, depending on the size of the loan.

This demonstrates that I am currently familiar with the stories of 30 Kansans who once utilized payday and title loans. This number increases to 142 since the inception of the program. However, this number is only indicative of applicants I could approve for the loan program. The number dramatically increases when denied applications are counted and increases even more

when including applicants screened out of the program for various reasons. Their stories shine a disconcerting light on the serious issues that exist within payday, title and line-of-credit lending across this country and in our state. I provide the following for your review:

1. Payday and title loan lenders are the most common business models offering small loans in Kansas. Banks, for example, do not widely participate. The costs and risks of payday, title and line-of-credit lending undeniably outweigh any benefits such loans purport to offer our clients.

2. The consumer base of payday and title loan lenders disproportionately include financially at-risk Kansans. Clients come to the KLPP through a variety of avenues. Many come from social service agency referrals that, through their own intake processes, discover an individual has outstanding predatory debt. These individuals often report high interest debt as hindering their ability to keep up with rent, utilities, necessary medications, transportation costs, and even food. The current KLPP client list of 30 relief and alternative loans includes 15 living on fixed incomes with three of those supplementing that income with at least part-time employment. Four clients are single with full-time employment and at least one dependent; and 13 are over the age of 50 and five are over the age of 65, with the oldest current client aged 85.

3. Kansas law prohibits payday lenders and their related interests from having more than two loans outstanding to the same borrower at any one time; yet, that same borrower is not prohibited from dealing with other payday lenders and their related interests. The number one reason I deny applications to the KLPP is for debts exceeding the loan limit of \$2,500 – due to applicants having multiple loans at multiple lending companies and/or having title loans greater than that amount. Current KLPP clients include 13 that had two loans, 6 with at least three loans, 2 had four loans, and 1 had five loans. Necessitous borrowers have little or no incentive to disclose the condition of their finances to high interest lenders, and because these lenders do not underwrite the loans and are not required to possess a ready means to double-check the journals of other lenders, the law only weakly protects vulnerable Kansans from themselves. The number of people applying for KLPP with more than two outstanding loans proves that it is common for consumers to have a combination of more than two payday, title and/or line-of-credit loans, at least in the 31 counties served by Catholic Charities of Northern Kansas.

It is only appropriate that, while I do not openly name KLPP clients, I do openly discuss their experiences with these high-interest lenders; and therefore, I must add that I have had personal experience with the negative impact of payday loans, as well. What I believed would be a short-term loan of \$500 for a necessary vehicle repair resulted in my eventually having to get a second payday loan to try to stay above water. Every two weeks I had to pay the full \$575, and I simply could not afford to live without that amount of money. I was a single mother and, although I have a supportive family and very involved parents, I simply didn't want to have to once again ask them for help. Each payment, however, was decreasing the true amount of the rollover loan of \$500 to the point I finally had to get an additional payday loan to keep up with the first one and still be able to pay the bills. After almost one year and \$3,300 worth of "fees" between the

two loans, I finally realized I could not keep up with the fees I incurred every payday, and despite several attempts, I could not afford to pay the loan off. I was scared, depressed and felt there was no way out. I cannot tell you the embarrassment and shame I felt for allowing myself to be caught in such a situation, but I eventually mustered up the courage to go to my parents and explain the horrible situation my finances were in, and they were able to pay the loans off for me.

I was, unlike so many of my clients, fortunate to have that kind of support system. The world most of my clients live in is one with little to no family support; and often simply no family at all. Of the current 30 KLPP clients Catholic Charities serves, fewer than 10 have been in the debt cycle for less than a year and 16 have been forced to re-loan immediately after each payoff for two years or more.

Just last week the Consumer Financial Protection Bureau released their much-anticipated rule regarding short term payday, title and line-of-credit lending. Although the rule does address these loans, it remains in the hands of the states to fully protect its constituents from continued predatory practices of small dollar lenders. Therefore, the citizens of Kansas must depend on our elected officials to do what is right, fair and just. My clients and so many like them have demonstrated across the land through their collective voice during the CFPB comment period that it is time to stop the predatory lending epidemic that is causing so much destruction in the lives of those who, in the midst of a financial crisis, unwittingly enter into a debt trap.

It is apparent that those most adversely affected by these types of financial products are the working poor and those living on fixed incomes, including the elderly and the disabled. I implore the members of this committee to review the current laws regarding this market. I strongly urge you to consider taking appropriate action to alleviate the financial burden of those who utilize these short-term, high-interest loan products. This is not a partisan issue, Americans across party lines support requiring payday lenders to check a borrower's ability to pay before lending money.

It is time to do what is necessary to stop the continued predatory practices of payday, title and line-of-credit lenders in our great state of Kansas.

Thank you for your valuable time and consideration of this testimony in support of HB2267.

With great sincerity,

Claudette M. Humphrey