

PROVIDING VITAL FINANCIAL SERVICES IN AMERICA'S NEIGHBORHOODS



Washington's Perspective on Consumer Finance Issues And the Impact on Payday Advances

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FINANCIAL SERVICE CENTERS OF AMERICA
A NATIONAL TRADE ASSOCIATION



\$ National Landscape

- Payday Lending now in play
 - Significant Legislation Introduced in Congress
 - Hearings already held
 - Action likely this year
-



Background

Perfect Storm

Regulatory backlash – Financial crisis

Increased consumer protections

Obama position – 36%

Congressional make-up, Democratic majority

Previous legislation reintroduced

Consumer group activity increased

Momentum from Ohio and Arizona

National Usury Rate initiative – 36%



Payday Legislation

U. S. House of Representatives

Rep. Gutierrez Bill – HR 1214

Rep. Baca Bill – HR 1846

Rep. Shuler Bill – HR 2563

Rep. Speier Bill – HR 1608

Rep. Rush Bill – HR 2309



Payday Legislation

Rep. Luis Gutierrez (D-IL)

HR 1214, the Payday Loan Reform Act of 2009

No 36% APR cap

\$15 / \$100 rate cap

Rollover ban

Mandatory payment plan

Disclosures

Several other consumer protections



Payday Legislation

Rep. Joe Baca (D-CA)

HR 1846, the “Consumer Lending Education and Reform Act” (the “CLEAR Act”)

No 36% APR cap

\$15 / \$100 rate cap

Plus \$5 / \$100 origination fee for internet lenders

Extended payment plan – 4 equal payments

Disclosures

Other consumer protections



Payday Legislation

Rep. Heath Shuler (D-NC)

HR 2563 – “Payday Lending Reform Act of 2009”

No 36% APR cap

\$20 per 100, with 5% admin fee, 10% document fee

4 refinancings

Extended payment plan – once per 12 months



Payday Legislation

Rep. Jackie Speier (D-CA)

HR 1608, the “Protecting Consumers from Unreasonable Credit Rates Act of 2009”

36% APR Cap on all consumer credit

“Durbin bill” in House



Payday Legislation

Gutierrez Hearing

April 2, 2009

Subcommittee on Financial Institutions and Consumer Credit
HR 1214, the “Payday Loan Reform Act of 2009”

Four witnesses / good attendance by Members of Congress

Broad understanding and support for product

Bipartisan

Strong questioning of CFA & APR as a measurement of cost

Good interaction between Democrats and Republicans

Mark-up likely in July



Payday Legislation

- Rep. Bobby Rush (D-IL)

HR 2309 – “Consumer Credit and Debt Protection Act”

Introduced May 7th, Hearing May 12th

Mark-up June 3 – Passed out of Subcommittee
(party-line vote)

Added payday language as amendment

Allows FTC to determine need for rules regarding
unfair and/or deceptive practices



§ Payday Legislation

U. S. Senate

Durbin Bill – S. 500

36% APR Cap

Durbin / Sanders Bill – S. 582

15% APR Cap



Payday Legislation

Sen. Richard Durbin (D-IL)

Senate Majority Whip

S. 500, the “Protecting Consumers from Unreasonable Credit Rates Act of 2009”

36% APR Cap on all consumer credit

Includes all fees, costs, premiums, other charges

Basis for “National Usury Cap” initiative by consumer groups



§ Payday Legislation

Durbin / Sanders Bill

S. 582, the “Interest Rate Reduction Act”

Establishes 15% cap on all consumer credit

Exempts Credit Unions

Vote to add to Credit Card bill lost 60-33



CFPA

Consumer Financial Protection Agency

Proposed by Obama Administration

Response to Financial Crisis



CFPA

Belief that:

Failure to protect consumers lead to crisis

Lenders profited by “tricks and traps”

Current Federal agencies’ protection programs are flawed

CFPA will provide better consumer protections



CFPA Legislation

Concerns:

CFPA powers would be extremely broad, undefined, unlimited

Would impact all financial products

Could impose very arbitrary requirements

Fees, rates

Could arbitrarily conclude what is “reasonable”

Would create new federal bureaucracy

Single Director would make all decisions

Unintended and Unknown consequences



CFPA U.S. House of Representatives

Within Overall Financial Regulatory Reform:

H.R. 3126, the “Consumer Financial Protection Agency Act of 2009”

Introduced Sept. 24, 2009, by Chairman Barney Frank (D-MA)

Will be become Title X in omnibus financial reform bill

Mark-up in Committee started Oct. 15th



CFPA Legislation – US House of Representatives

Major Provisions – HR 3126

Administrative Procedures Act

Scope (Unfair and Deceptive Practices)



Highlights of Mark-Up in House Financial Services Committee

Payday Provisions

Other Carve-Outs or Safe Harbors

Preemption



CFPA Legislation

U.S. Senate

Durbin / Schumer / Kennedy

S. 566, the “Financial Product Safety Commission Act of 2009”

Styled after the CPSC – Consumer Product Safety Commission

Establishes consumer protections for financial products

Establish Best Practices guides

Enable studies and investigations

No Action Yet



Future of Industry Oversight

Community Reinvestment Act (CRA)

Truth in Lending Act (TILA)

APR Disclosure



Non-Banked and Under-Banked Issues

- HR 3171 – Bridge Bank legislation (Rep. Baca)
- Other efforts / Ideas

Elizabeth Warren

CRL



Legislation

Industry Response

Aggressive, multi-pronged defense of the industry:

Coalition for Financial Choice (CFC)

Ernst & Young Study



Coalition for Financial Choice



Advocates equal access to financial services / credit

Created as vehicle to address small dollar credit

Both FiSCA and non-FiSCA members

CFC website: coalitionforfinancialchoice.org

FiSCA website: fisca.org

Broad support necessary for maximum results





Coalition for Financial Choice



Nationwide Grassroots Effort

Mobilize customers and employees
Email / Txt Members of Congress
Over 540,000 already signed up
Need your participation
Go to FiSCA website for instructions





Coalition for Financial Choice



Ernst & Young Study

FiSCA / CFC commissioned

Determine cost to provider
(multiline provider)

Statistical cross-section

Use with Congress, Regulators, States





\$ To learn more

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