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STATEMENT OF BRAD SMOOT LOANMAX

**House Financial Institutions and Rural Development Committee
Regarding 2021 HB 2189
February 22, 2021**

Chairman Kelly and Members of the Committee:

LoanMax has been licensed to engage in consumer lending by the Kansas Banking Department since 2004. LoanMax makes consumer loans using a line of credit secured by a vehicle title.

LoanMax and its affiliated companies do business in seventeen states and Puerto Rico. LoanMax maintains twenty-six offices in several Kansas communities and provides approximately 56 Kansas jobs with competitive wages and benefits. LoanMax has made tens of thousands of cash advances during its sixteen years of operating in Kansas, suggesting that there is a substantial number of Kansans who appreciate the opportunity for greater access to credit provided by LoanMax. These Kansans rely on LoanMax as a trusted short-term borrowing option. In fact, our customer satisfaction rate is exceptional. LoanMax has had no more than a dozen complaints per year out of thousands of transactions, none of which resulted in a finding of fault by the company.

Our customers come from a variety of different backgrounds. From local business owners to hourly workers, our customers all have one thing in common when they come to us – they need cash quickly and easily. They might need a prescription filled, recently suffered a theft or loss of credit cards and ID, emergency vehicle repairs, eviction or utility shut off orders or even frozen pipes that need repair immediately. Life brings surprises and challenges that banks, savings and loans, credit unions, relatives, friends or other sources of cash are not willing or equipped to provide in an easy and prompt transaction.

To ensure customer satisfaction, we provide disclosure forms, beyond what is required by state or federal law, so that our customers may make a fully informed decision about their finances. I have attached copies of these forms to my testimony. These disclosure forms are clear, concise and help explain why 10,000 Kansans a year choose LoanMax.

2021 House 2189 would kill open ended credit for title lenders and replace it with an extremely cumbersome and complicated closed end credit product. I encourage you to read the bill in its entirety and see if you can make heads or tails out of it. The bill caps the interest rate and miscellaneous fees at levels that would drive our company and others like us out of business thus denying our customers the credit access they enjoy today.

Proposals like this are nothing new. They have been brought to the legislature by groups of people who believe they are “doing good.” In fact, such efforts show little respect for the needs of the population we serve, the intelligence of our borrowers, their struggles obtaining credit elsewhere or frankly their wishes as adults. To many of the customers of open-ended credit, the notion that the proponents and lawmakers know best is downright insulting as they have so stated in public hearings. Lawmakers have learned from those who actually use the financial tools just how well they work and how much customers appreciate having access to capital.

If the proponents of HB 2189 are truly interested in helping Kansans with few credit options, destroying some of those options is hardly a solution. Offer more choices. If the proponents can satisfy the demand for credit that we provide at a lower interest rate, put up your sign and see if you can make a go of it. However, we don’t believe it will work with a 36% installment style plan as called for in HB 2189. Banks have tried offering smaller signature loans for up to \$200 to “existing customers with bank accounts.” Unfortunately, that product is too limited to have any real impact. But good for them for trying. Likewise, at least one charitable organization has offered small loans at 36% interest using underwriting criteria to determine who “qualifies for credit.” That program relies on “charitable” funds to loan so it is really too small to be impactful on the marketplace. But, again, good for them for offering an option to a few people lucky enough to qualify.

Kansans still need small, quick and easy loans. So please don’t ask government to ban existing options that are working well and impose a new and untested financial product on Kansas consumers. We think the result will be that many of those in need of temporary funds will go without. Many will write bad checks, miss an insurance payment, rent payment, auto repair, medicine or other necessity of life. Others will turn to unregulated lenders from out of state and even out of the country. Many will turn to online lenders that the state of Kansas can’t regulate. Driving a legitimate licensed and regulated business out of town only to force Kansans to go without or use fewer desirable options is hardly good public policy.

So, if you want to create a new closed end credit option with rate caps, underwriting and countless bureaucratic burdens, go right ahead. But make it an option, not a replacement. We urge you to study this issue in detail and reject the simplistic notion that capping interest rates on small consumer credit loans is “doing good.” Thank you.

LM182 Anderson Financial Services, LLC Loan Max
601 North West Street #501
Wichita, KS 67203
316-943-6621

- * THIS IS A HIGH INTEREST LOAN**
 - * CONSIDER OTHER BORROWING OPTIONS**
 - * YOU ARE ENCOURAGED TO PAY THE BALANCE
AS SOON AS POSSIBLE**
-

Customer Signature

ADDITIONAL DISCLOSURE

Based on your initial cash advance of _____ and the agreed **Annual Percentage Rate of** _____ your first billing statement will include the following charges which will equal your minimum payment due:

Cash Advance Fee of	\$ <u>0.00</u>
Lien Fee of	\$ _____
Amount of interest charged on a daily basis based on the amount of the initial cash advance	\$ _____
__Day's Interest of	\$ _____
Principal Due	\$ _____
Minimum Payment Due of	\$ _____

If there are no other additional cash advance or principle reductions:

Your **Minimum Payment Due** in subsequent billing cycles will be calculated on a monthly basis and will be approximately _____ _

I have read and understand the above information.

BORROWER

CO-BORROWER