

SHORT TERM LENDING

TYPE OF LOANS

- Classified in 2 different categories
 - Based on length of financing
 - Amount of loan
- Payday and Title:
 - Financing 14-31 days
 - Smaller amounts
 - Payday \$500
 - Title Loans \$5,000
- Installment:
 - Financing no less than 120 days
 - Not less than 4 equal payments
 - Larger amounts but no caps



PAYDAY LOANS

- Utilized as an alternative way of borrowing money
 - Banks do not offer loans in small amounts
 - Intended to pay back with next paycheck
- More easily available
 - No credit history
 - Need form of ID, checking account and proof of income
- Typically used for unexpected expenses
 - Car repairs
 - Utility bills
 - Medical
- Can be rolled over which can raise the interest and fees paid
 - Average APR 462%
 - Loans typically rolled over 1.5 times
 - Average loan amount \$315

KANSAS CITY

- Permit: Payday, Title, Check Cashing
 - Renewed annually
 - \$1,000 per year or \$500 if less than 6 months in year
- Zoning
 - cannot be within **1** mile of another similar establishment
 - within **1,000** feet of a property designated as a historic landmark
 - cannot be within **150** feet of a park
- Must post in no less than **24 point, bold type** font
 - interest rate and fees charged
 - the APR
 - amount of loan if it was rolled over **6** times

ST. LOUIS

- Permit: Payday, Title and Check Cashing
 - Renewed annually
 - \$5,000 per year or \$2,500 if less than 6 months
- Inspectors can visit anytime during business hours
 - Fines for violations will range from \$100 to \$500
- Follow “Good Neighbor Plan” to prevent illegal activity from occurring on property
- Zoning: Not within 500 feet of houses, churches and schools
 - At least 1 mile from similar businesses
- Signs
 - **24 point, bold type** font
 - Listing APR per \$100 borrowed
 - Amount of loan if rolled over 6 times

STATE REGULATIONS FOR PAYDAY LOANS

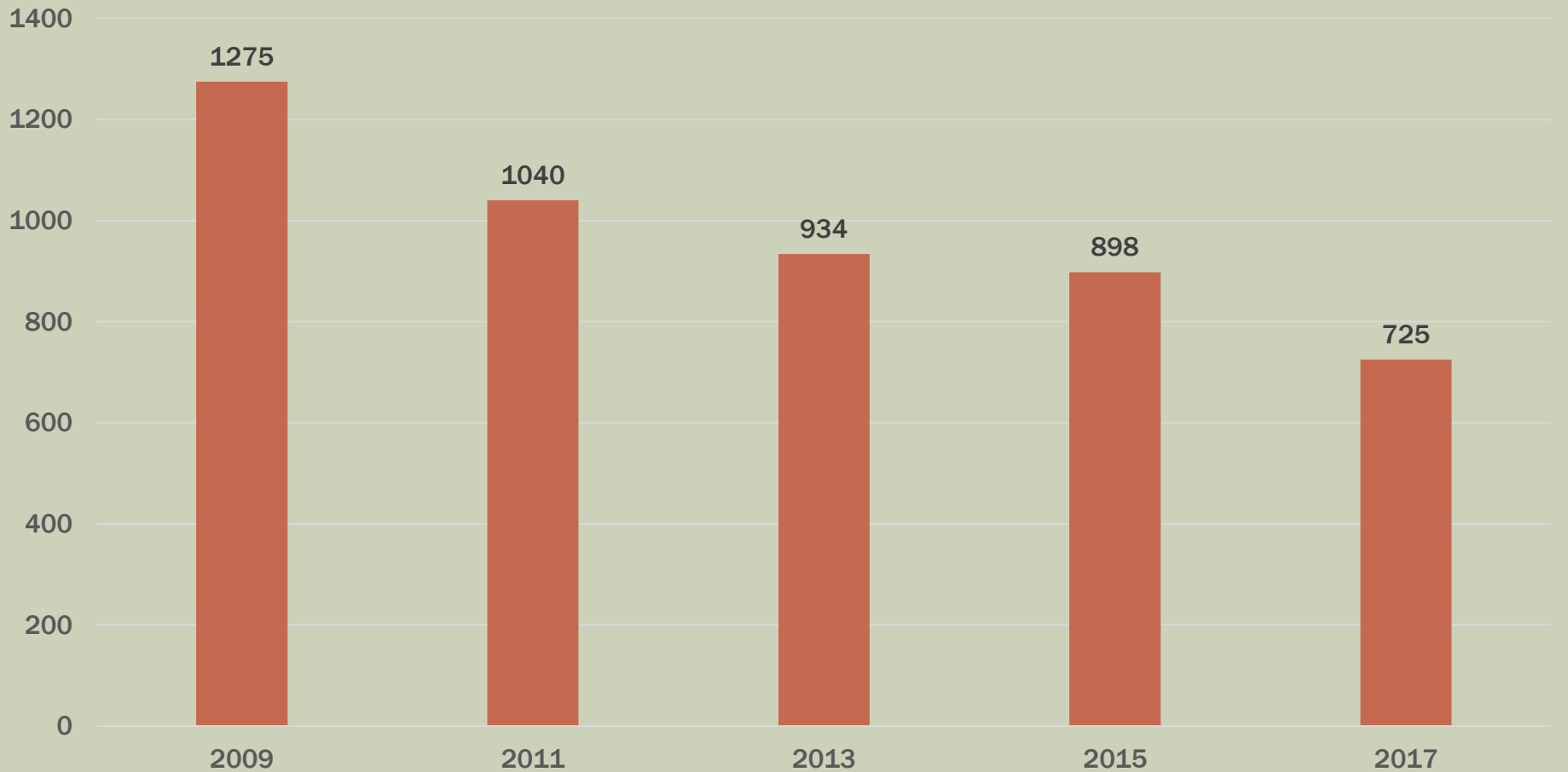
- Missouri has some of the most lax regulations
 - Cap of fees and interest up to 75% of the loan
 - Loans can be rolled over up to 6 times
- Loans up to \$500 regulated by Department of Insurance, Financial Institutions and Professional Registration
 - Establishment responsible for determining financial ability of borrower to repay
 - Borrower cannot have more than \$500 in loans from same establishment
 - Borrower cannot use another loan from the same establishment to pay off another

STATE LEGISLATION FOR PAYDAY LOANS

- 2015 (HB91), 2016 (HB1881), 2017 (HB120)
 - Expand current standards to loans up to \$750
 - Limits borrowers to having 1 short term loan at a time no more than \$750
 - Requires a database be established to monitor borrowers short term loan debt
 - Loan can be rolled over twice
- Referred to House Financial Institutions Committee
 - No hearings were scheduled

DIVISION OF FINANCE SURVEY REPORT

Number of Active PayDay Licenses Statewide in Missouri



DIVISION OF FINANCE SURVEY REPORT

Number of PayDay Loans Made Statewide in Missouri

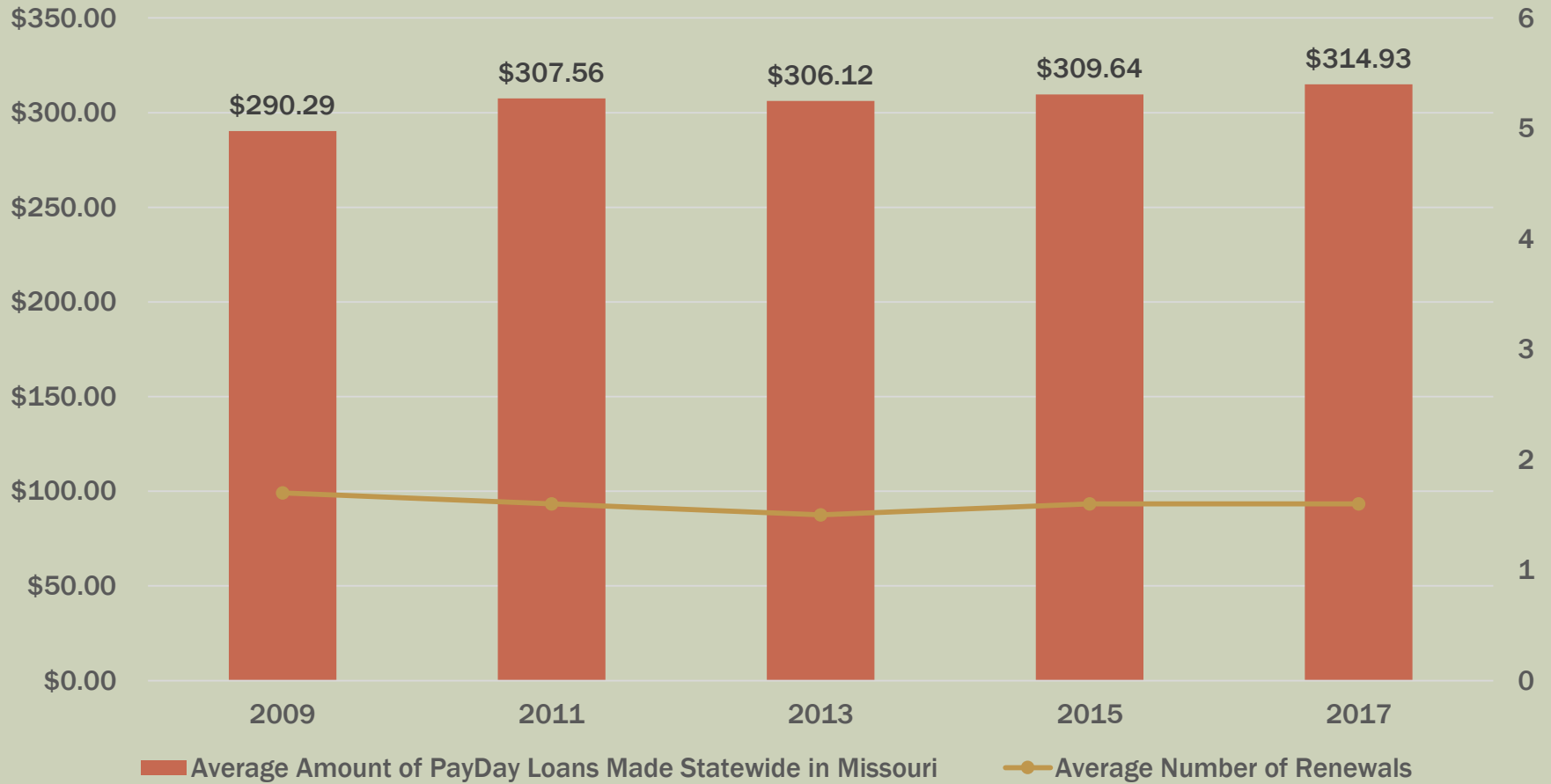


DIVISION OF FINANCE SURVEY REPORT

Defaulted Loans

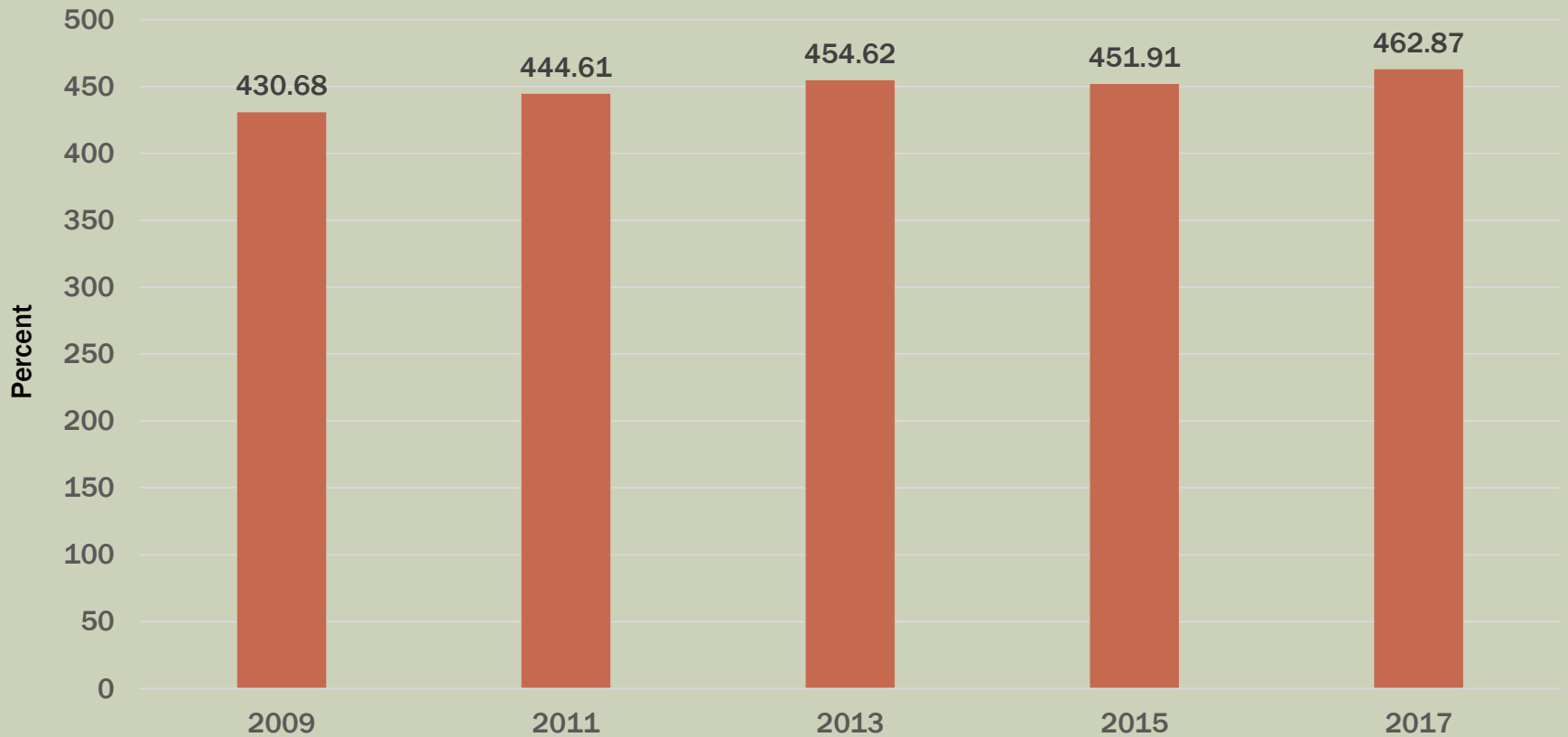


DIVISION OF FINANCE SURVEY REPORT



DIVISION OF FINANCE SURVEY REPORT

Average APR



INSTALLMENT LOANS

- Financing Terms of no less than 120 days
- No minimum or maximum loan amount
- Set up minimum of 4 equal payments for borrower
- Maximum fee (paid in addition to interest) charged on loans is 10% of principal, up to \$75
- No caps on interest rates
- Can defer payments as long as first payment is made in full on the loan

CONSUMER FINANCIAL PROTECTION BUREAU

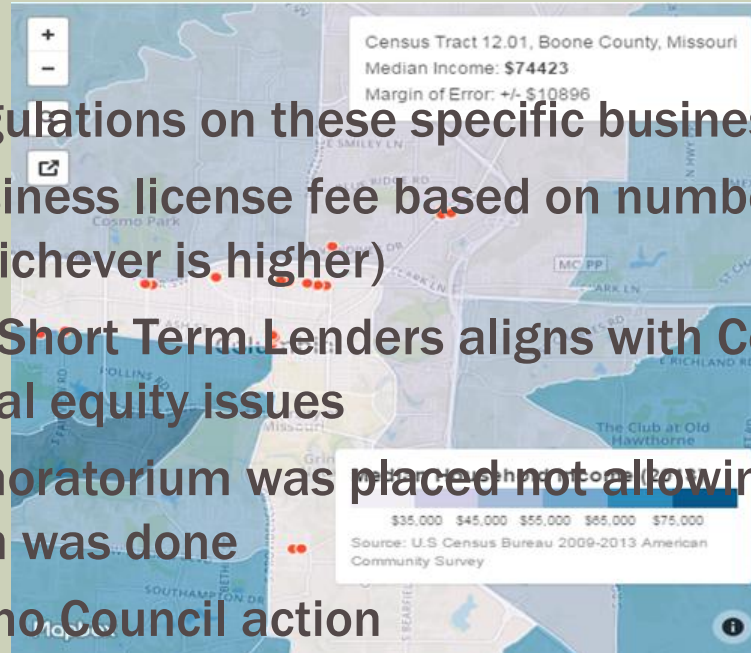
- Founded after 2008 financial crisis under the Dodd-Frank Act
 - Proposed regulations put on hold
 - House of Representatives passed CHOICE Act on 6/8/17
 - Gives Congress right to determine funding for this agency
- Performed research and put forth proposed regulations for short term lenders
 - 80% of borrowers ended up taking a second short term loan or rolled over their loan within 30 days
 - 20% of payday borrowers end up in default
 - 1 in 5 borrowers took 10 or more loans out in a year
 - Over half of online payday borrowers were charged \$185 in bank penalty fees
 - 1 in 5 Title loan borrowers lose their vehicle

CONSUMER FINANCIAL PROTECTION BUREAU PROPOSED REGULATIONS

- These regulations apply to all lenders
 - Banks, Credit Unions and Nonbanks
 - Storefront and Online
- Requires “full payment test”
 - Verifying net income, debt obligations and housing costs
 - Credit report to verify the amount of outstanding loans
- Penalty Fee Prevention
 - Must notify borrowers 3 days in advance of debiting account
 - Attempts to debit account limited to twice
- Payday and Title Loans
 - Lender cannot offer a similar loan within 30 days of the borrower returning
- Installment Loans
 - Lender can't refinance unless it substantially lowers payments

COLUMBIA

- Approximately 23 short term lending establishments
 - 15 registered as installment lenders
 - 8 registered as payday lenders
 - Online lenders are not represented on the map
- Most often based in locations where income is less than \$35,000
- Currently no regulations on these specific businesses
 - Standard business license fee based on number of employees or fee schedule (whichever is higher)
- Regulations on Short Term Lenders aligns with Columbia's Strategic Plan addressing social equity issues
- 2009- 30 day moratorium was placed not allowing any new lenders while further research was done
 - Expired with no Council action



CONCLUSION

- **Serving a need for the community**
 - Other financial institutions have not filled
- **Report on the City Council Agenda tonight**
- **Other cities have addressed short term lending businesses**
 - Zoning
 - Permits
 - Density
 - Caps on amount of businesses