



April 12, 2017

Chairman Matthew Dababneh  
Committee on Banking and Finance  
California State Assembly  
State Capitol, Room 6031  
Sacramento, CA 94249

**Re: Opposition of AB 1109**

Dear Chairman Dababneh

The Online Lenders Alliance would like to express its strong opposition to AB 1109 (Kalra). This legislation seeks to impose an interest rate cap for consumer loans between \$2,500 and \$10,000, greatly limiting an important source of capital for non-prime consumers in California.

OLA represents the growing industry of innovative companies that develop and deploy financial technology which include proprietary and innovative underwriting methods, data analytics, and non-traditional delivery channels to offer online consumer loans and related products and services. OLA members include online lenders, as well as vendors and service providers to lenders, such as consumer reporting agencies, payment processors, and online marketing firms. Our members provide unsecured installment loans to millions of American consumers, a much-needed credit product for those who do not have other realistic or safe options to meet unexpected or emergency expenses. Establishing a cap as proposed under AB 1109, will significantly impact a consumer's ability to find a loan.

All OLA members have agreed to a Code of Conduct and Best Practices that go above and beyond current legal and regulatory standards. These further the goals of promoting lending that is fair and responsible. It also reflects OLA's support for efforts to stop bad actors from engaging in deceptive, unfair, or abusive lending practices.

The introduction of AB 1109 comes at a time when many individuals are already struggling to secure capital. A recent Bankrate.com study found that over sixty percent of Americans didn't have enough savings to cover a \$500-dollar emergency. Assuming the State's numbers are on par with the rest of the nation, that means approximately 25 million Californians were struck by a financial crisis caused by a major illness, car trouble, needed home repair, or other unplanned emergency.

While those with strong credit histories and upper incomes have options such as bank loans, leveraging an asset, or tapping into savings, many of the borrowers that lack savings, property, or a prime credit score, turn to installment loans to meet their needs. These loans, which offer fully amortized, fixed monthly payments, have long been a foundation in providing California households with accessible solutions to addressing both planned and unplanned credit needs.

Many customers that use these products, do not qualify for traditional lending products. They believe installment loans represent the best options for their situation and choose to borrow rather than bouncing checks, maxing out their credit cards, or asking their parents or church for help. In fact, many consumers find that short-term loans carry fewer consequences than missing their car or mortgage payments. AB 1109 removes this option for millions of Californians.

One of the many strengths that installment loans offer is the flexibility for consumers to find a loan with a rate and term that best suits their budgetary needs. An unintended consequence of the legislation will be to leave consumers with the difficult choice of either forgoing important household/personal needs, or choosing less desirable credit products that do not fit their particular financial circumstances.

If enacted, AB 1109 will negatively affect consumers who are legitimately searching for fast and convenient credit, from obtaining those loans. There are millions of consumers who will not be approved for loans with an annual percentage rate (APR) of less than 36 percent. According to a recent study by the Fair Isaac Corp, 46 percent of consumers have FICO scores below 700. These consumers understand the risks and benefits of these products and have unique borrowing needs. By setting what amounts to an arbitrary price control many of these consumers will not be able to obtain the credit they are seeking, which is why OLA would request that you oppose AB 1109.

Thank you very much for your consideration

A handwritten signature in blue ink that reads "Lisa McGreevy". The signature is written in a cursive, flowing style.

Lisa McGreevy  
President & CEO