



May16, 2017

Chairwoman Lorena Gonzalez Fletcher
Committee on Appropriations
California State Assembly
State Capitol, Room 2114
Sacramento, CA 95814

Re: Opposition of AB 784

Dear Chairwoman Fletcher

The Online Lenders Alliance (OLA) would like to express our strong opposition to AB 784. This legislation seeks to impose an interest rate cap for consumer loans between \$300 and \$5,000, greatly limiting an important source of funds for millions of underbanked consumers in California.

OLA is the center for lending, technology and innovation, representing the growing industry of companies offering loans online. OLA members abide by a rigorous set of Best Practices and Code of Conduct to ensure their customers are fully informed and fairly treated.

As the center for lending, technology and innovation, OLA sets industry standards and Best Practices by which our members operate, ensuring that customers have access to the most responsible, innovative products in the market. OLA also serves as a resource to federal and state policymakers on issues related to access to credit.

Beyond our role in serving and leading our members, OLA informs borrowers about online lending and provides resources including a consumer hotline, a portal to report fraud and consumer tips.

The introduction of AB 784 could not come at a worse time when many individuals are already struggling to access credit. A recent Bankrate.com study found that over sixty percent of Americans do not have enough savings to cover a \$500 emergency expense. Assuming the Californian numbers are on par with the rest of the nation, approximately 25 million Californians were struck by a financial crisis in which they did not have the necessary resources.

While those with strong credit histories have options such as bank loans, leveraging an asset, or tapping into savings, many borrowers who lack these alternatives 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 consumers who use these loans do not qualify for traditional lending products. Installment loans represent the best option for their situation. These consumers choose to borrow rather than bouncing checks, maxing out credit cards, or asking their families or church for help. In fact, many consumers find that short-term loans carry fewer consequences than missing their car or mortgage payments. If signed into law, AB 784 would remove this option for millions of Californians. In its place would be an expansion of a failed pilot program that has only a handful of lenders participating. The end result will be to severely restrict access to credit options for subprime borrowers.

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 fits their budgetary needs. By imposing the terms of a failed pilot program, AB 784 would result in the loss of credit options. This will force consumers to either forgo important household or personal needs, or choose less desirable credit products that do not fit their unique financial circumstances.

If enacted, AB 784 will negatively impact millions of Californians who have a FICO score of less than 700. 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 that won't be met if AB 784 passes, which is why OLA respectfully requests that you oppose this legislation.

Thank you very much for consideration

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

Lisa S. McGreevy

President and CEO

CC: Hon. Frank Bigelow
Hon. Richard Bloom
Raul Bocanegra
Hon. Rob Bonta
Hon. William Brough
Hon. Ian Calderon
Hon. Ed Chau
Hon. Susan Talamantes Eggman
Hon. Vince Fong
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