To the Joint Standing Committee on Health Coverage, Insurance, and Financial Services
In Opposition to LD 314:
An Act to Establish Consumer Protections Regarding Small Dollar Loans

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Senator Bailey, Representative Mathieson, and members of the committee, my name is Jason Thomas, and I serve as the Director of Financial Development Services at Coastal Enterprises, Inc. (CEI), a community development financial institution located in Brunswick, Maine. CEI makes investments throughout Maine in small business, affordable housing, and community facilities with a mission of providing opportunities for low-income individuals to find quality jobs, grow income and assets, and access affordable, quality housing. In addition, we are a HUD-certified housing counseling agency and provide services for homeowners throughout Maine, especially in York, Cumberland, Sagadahoc, and Lincoln counties. Since 2010, I have had the privilege to contribute testimony on numerous consumer finance issues including payday and predatory lending, foreclosure protections, and debt settlement as these issues traditionally effect Maine's most vulnerable populations, many of whom are our clients.

It is our position that LD 314, despite its magnanimous title, is an effort to circumvent Maine's existing interest rate cap on small dollar loans which are often provided to those least able to afford them. While we understand the concern of those Mainers who find themselves on the "edge", facing winter heating costs and an inflationary economic environment, it is counterinitiative to expose them to loan products which would see them subject to interest rates as high as 160%. Even in a "small dollar" instrument, such interest rates would see a borrower condemned to repay upwards of $4,500 on a loan of $1,700[1]. The reality is that, once engaged in these arrangements, repayment of principal is exceedingly difficult for borrowers who are already in a precarious financial situation, especially in an 18-month timeframe. This is when the short-term loan becomes a long term, crippling debt obligation when a borrower faces either the options of default or refinance into an extended term. As you can imagine this only increases the $4,500 repayment figure – again from a $1,700 loan.

The argument for such a product will be that those seeking and securing these loans have no other financial options to meet obligations. The reality is, however, that a great many such borrowers will find themselves in a much worse financial situation post-loan. For borrowers facing default and charge-off, they are then saddled with additionally damaged credit and likely pursuit from a collection agency for the charged off debt, which will potnetially include the interest charges. Per OppFi's November 2024 report to investors, they posted an unbelievable charge off rate of 34%[2] - meaning one of every three loans was deemed uncollectable and either kept as portfolio collections or sold a third-party debt collector. Additionally, the Center for Responsible Lending determined that 34% of OppFi's loans are refinanced within the initial 91 days of being made. This

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again transforms a short-term financial product - making the claim that such a duration is an offset against the astronomical rate – into a long-term debt obligation that many borrowers struggle to ever rid themselves of.

I thank you for the opportunity and consideration and recommend that the committee vote ought not to pass.

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[1]https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-burned-borrowers-oppfi-7apr2023.pdf

[2] https://investors.oppfi.com/news/press-releases/2024/OppFi-Reports-Record-Third-Quarter-Net-Income-and-Revenue-Raises-Full-Year-Earnings-Outlook/default.aspx

https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-adding-fuel-oppfi-7apr2023.pdf