

EXHIBIT 6
DATE 2.27.2019
HB 622

Dear Mark Noland and the House Business & Labor Committee members,

Thank you for your time and consideration with regards to HB 622, "An act prohibiting unsolicited loan checks; prohibiting collection on unsolicited loans; prohibiting reporting to credit agencies regarding unsolicited loans; and allowing for suit and injunctions."

Montana Organizing Project urges you to support HB 622. These unsolicited loan products create a spiral of debt for consumers, and should be regulated with opportunities for suits and injunctions.

In 1998, the United States Government Accountability Office (U.S. GAO) put out a report⁽¹⁾ on live loan checks, stating that:

(1) once cashed, live loan checks result in unsecured consumer loans; (2) bank officials GAO interviewed told it that live loan checks are aimed at the most creditworthy customers—that is, those least likely to be delinquent or in default in making loan payments; ...

(7) according to bank officials GAO interviewed, at least eight financial institutions have offered live loan checks; (8) of these eight financial institutions, six were banks: Chase Manhattan, Fleet, First USA Bank, Signet Bank, BancOne Corporation, and First Chicago NBD; (9) two were nonbanks: Capital One and Beneficial Corporation; (10) First Chicago stopped offering these loans after suffering a level of losses that it considered not acceptable during a pilot program;

In December 2018, US Senator Merkley and others announced bipartisan legislation to curb unsolicited loan products. Their statements on the bill include the following⁽²⁾⁽³⁾:

When consumers receive these loan checks, the senators said, many unknowingly believe they have received money from their bank or financial institution, not realizing that the check is often a high-interest loan.

"When you receive a check in the mail, it's natural to assume that depositing it will help—not hurt—your bottom line," Merkley said. "But these checks don't pad consumers' pocketbooks; instead, they send them into a vortex of debt.

"The practice of mailing high-interest loans disguised as checks is unconscionable and clearly predatory." "As working Americans look to make ends meet, lenders will often target cash-strapped families with these mailings. It is unconscionable that someone would take advantage of another person's dire financial situation to make a quick buck for themselves. We need to end this predatory lending tactic and pass this legislation to protect consumers and their pocketbooks," said Senator Jones.

"People should understand clearly when they are taking on debt. But because 'live' checks mailed directly to consumers don't require an application or any previous relationship with the consumer, many individuals don't realize that these checks are actually high-interest loans until it's too late," said Senator Cotton.

The National Consumer Law Center has endorsed the legislation on behalf of its low-income clients.

Montana has the opportunity to protect its residents from known harmful and predatory loan products. The state already regulates another predatory loan product -- payday and car title loans -- and have since 2010 when MT voters chose to enact a 36% APR cap. Residents have access to many loan products and opportunities for credit financing, and have seen no negative



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impacts from the regulation of payday loan products in the state, in fact Montanans save an estimated \$37 million without these predatory payday and car title loan products⁽⁴⁾.

Montanans seeking access to financing have opportunities to do so, where they can communicate with the lender about the fees and interest rates associated with the loans and products that they take out. To reiterate US Sen. Cotton comment from above, "people should understand clearly when they are taking on debt." Allowing companies to entice people into shady loan products when they are strapped for cash and desperate is predatory, not being clear about the stipulations of the loan, including high interest, fines, and fees associated with these products is an unconscionable practice. We urge you to support HB 622.

Thank you.

Katie Sutton



Executive Director
Montana Organizing Project

1. LIVE LOAN CHECKS: Information on Unsolicited Consumer Loans for Preapproved Borrowers.
<https://www.gap.gov/products/161117>
2. <https://www.ktvz.com/news/merkley-bill-targets-predatory-unsolicited-loans/925780805>
3. <https://financialregnews.com/legislation-targets-unsolicited-predatory-loans/>
4. <https://www.responsiblelending.org/research-publication/shark-free-waters-states-are-better-without-payday-lending>

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