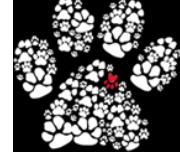




**NATIONAL  
DEFENSE  
COMMITTEE**



April 6, 2024

The Honorable Stanley Wright  
Chair, Alaska House of Representatives  
Committee on Military & Veterans Affairs  
State Capitol Room 412  
Juneau, AK 99801

**Re: Comments on HB 145**

Dear Representative Wright:

The current provisions of your bill HB 145 will significantly harm the financial security and readiness of Alaska's more than [21,500 active-duty military personnel, 4,700 Guard and Reserve military personnel, their 26,000 family members](#), and the almost [69,000 veterans](#) residing in Alaska. HB 145 will impose an unnecessary and destructive inability to access credit on military and veteran consumers by trying to extend a 36% annual percentage rate (APR) cap on all loans issued in Alaska, much as the federal *Military Lending Act* (MLA) currently does on active-duty military personnel and their families. As organizations serving and representing military personnel, veterans, and their families, we are opposed to this bill in its current form and request your keep this in committees to further examine the issues raised below.

Rate Caps, the *Military Lending Act*, and Military Financial Readiness

Given your own military service and your leadership on the Alaska House of Representatives Committee on Military & Veterans' Affairs, we hope you understand the financial market realities faced by military personnel and their families, realities that are left untouched by arbitrary APR caps. It is not that junior military personnel, [earning just \\$32,000 a year](#), are forced to accept some arbitrarily high interest rate to access the capital they need because their military pay is so sparse – lenders do not impose non-market rates on these military personnel and their families – it is that these military personnel, both because of the pittance they are paid, and their lack of good credit history, can only get the credit they need to make ends meet from alternative lenders.

And imposing an arbitrary non-market rate cap on such loans does not magically bring those loan rates down to those rates caps - it simply drives the lenders out of the market, because it makes no economic sense to lend to these military families (or any consumer with similar credit history and risk) at arbitrarily low interest rates at which the lenders will lose money. This forces these military families to instead miss utility and car loan payments, bounce checks, and pawn personal possessions, to make ends meet, and which also places their financial readiness for military deployment, their security clearances, and their perceived suitability to continue in military service, all at risk.

Despite the evidence presented below these rate caps are simply arbitrary numbers picked for political expediency, and that they empirically fail to improve military financial readiness, such advocates persist, claiming since it's the federal government's imposing a 36% rate cap for military personnel and families through the MLA, that somehow indicates the efficacy of such a rate cap, and of general policy of imposing non-market rate caps for relieving financial distress of low-income consumers, simply because it's the federal government imposing it, and it should know best since it's the largest. In other words, a flawed logic model of, "if it's good enough for the military, it should be good enough for everyone."

But it's not been good for the military, and it won't be for Alaska's credit consumers either. [Economists from the U.S. Military Academy at West Point did an extensive study](#) of the MLA's impact on military servicemembers and found no evidence of short-term nontraditional credit loans adversely affecting their financial readiness, and, indeed, found considerable evidence that access to short-term loans improved military financial conditions.

Similarly, Harris Insights, a polling company, [surveyed military personnel and spouses](#) as to their financial positions in both 2014 – before the MLA was expanded by Department of Defense regulations in 2015 – and then again in 2019, four years after the expanded regulations. The results were startling: Between 2014 and 2019:

- The number of military personnel suffering financial difficulties more than doubled, increasing from 16% of the force to 34%. In other words, in the time the MLA regulations were put in place, the military went from one in seven in financial difficulties, to one in three;
- The number of military personnel with bills in active collection almost tripled from just under 40,000 to more than 108,000, equivalent to more than half of the entire U.S. Marine Corps; and
- The number of military personnel in bankruptcy or seriously considering bankruptcy exploded from a statistically insignificant number bordering on zero to more than 40,000, more than twice the size of the U.S. Space Force.

Finally, [researchers at the Urban Institute](#) just last year found that the credit restrictions of MLA "did not lead to better credit and debt outcomes for service members most likely to be affected by this policy. For the most vulnerable individuals—those with deep subprime credit scores—the policy may have had negative effects by limiting their access to credit." They therefore concluded that "extending the consumer protections of the expanded MLA, including the 36 percent APR cap, to revolving credit products available to all borrowers would not be an effective way of improving the credit health of most Americans."

The bottom line is the *Military Lending Act* has not protected the financial well-being of military personnel and their families. Instead, it put many of them at greater risk of involuntary separation and made them less financially stable, as the West Point study referenced above also points out. You should expect similar impacts on non-military and non-veteran consumers in Alaska where similar arbitrary loan rate caps are imposed.

### Rates Caps and Access to Capital

Such arbitrary rate caps will also significantly reduce lower-income consumers' access to needed credit. A [survey conducted by the market research firm HarrisX](#) found half of all active-duty military personnel and their families have been denied credit because of MLA. In addition, the [National Foundation for Credit Counseling \(NFCC\) conducted a survey](#) of servicemembers in 2020, reporting, "This year, 31 percent of active duty servicemembers have taken out a cash advance or payday loan, compared to only 13 percent in 2019. This represents an even more dramatic shift since 2014, when just six percent of active duty servicemembers reported taking out such loans." Reducing credit options would likely only serve to continue this trend.

And it is no better once these men and women leave the service - veterans and their families also rely on alternative credit to meet their financial needs as they are often unable to successfully obtain credit from banks and credit unions. The [Federal Reserve Bank of New York](#) and the [Institute of Military and Veteran Studies at Syracuse University](#) both show veterans experience similar restrictions to credit access, which can likewise result in increased overdraft fees, late fees, and missed payments – even to the point of disruption of utilities and eviction.

### Conclusion: Arbitrary Rate Caps Don't Improve Financial Readiness

At the end of the day, the consumer credit marketplace is competitive, driving lenders to offer competitively priced loans. Despite consumer advocates making specious arguments with cherry-picked data to the contrary, lenders are not imposing non-market rates on military personnel and their families; the real issue is that military personnel – both because of the pittance they are paid and their lack of good credit history – have limited options available, and alternative lenders are often one of the few options available to them. So too with lower-income non-military/non-veteran credit consumers.

The data clearly shows arbitrary rate cap restrictions, such as those imposed by HB 145, will not lower the cost of credit, they will only reduce access to credit. Alaskan military and veteran families will be further limited in their ability to access credit to manage their finances and will be more likely to fall into financial distress. We respectfully oppose this well-intentioned but misguided legislation. Our groups stand ready to work with you in support of this objective and to protect the financial well-being of Washington's military and veteran families.

Very Respectfully,

National Defense Committee  
American GI Forum  
Wounded Paw Project

Military Order of the Purple Heart  
Military Veteran Advocacy, Inc.  
Vets 4 Vet Leadership

Cc:

The Honorable Cathy Tilton, Speaker, Alaska House of Representatives

The Honorable Dan Saddler, Majority Leader, Alaska House of Representatives

The Honorable Calvin Schrage, Minority Leader, Alaska House of Representatives  
The Honorable Laddie Shaw, Member, House Military & Veterans' Affairs Committee  
The Honorable Ben Carpenter, Member, House Military & Veterans' Affairs Committee  
The Honorable George Rauscher, Member, House Military & Veterans' Affairs Committee  
The Honorable Cliff Groh, Member, House Military & Veterans' Affairs Committee  
The Honorable Andrew Gray, Member, House Military & Veterans' Affairs Committee

April 23, 2024

The Honorable Representatives Edgmon, Foster and Johnson,  
House Finance Committee  
Alaska General Assembly

RE: House Bill 145, An Act relating to loans in an amount of \$25,000 or less; relating to deferred deposit advances.

Dear Co-Chairmen Edgmon, Foster and Johnson and Committee Members:

My name is Joe Rubin, and I am head of Public Policy and Regulatory Affairs for OppFi (NYSE: OPFI), a financial technology platform that helps everyday Americans gain access to credit. Through its unwavering commitment to customer service, OppFi supports consumers who are turned away by mainstream options to build better financial health.

I appreciate the opportunity to testify before this Committee to support of Alaska's subprime consumers – those who cannot obtain credit from traditional banks and credit unions. This represents nearly 29% of Alaska's population.

OppFi supports the intention of House Bill 145 to stop predatory lending.

However, we believe that whether a loan is considered “predatory” should not be based on the Annual Percentage Rate (APR) of the loan, but should take into account related services and requirements such as fees, penalties and whether the product is designed to help a consumer pay it off or simply roll it over.

OppFi believes that strong consumer protections can prevent a loan from being “predatory” even if it carries a higher interest rate. Therefore, in order to protect consumers from “predatory” loans, strong consumer protections should be established for small dollar, high interest loans so subprime consumers have access to credit through safe and reliable non-predatory credit products.

Instead, OppFi believes that strong consumer protections are required to ensure that consumers who are using high interest loans have a way to obtain credit when they need it, but that the loans that they may access have strong protections. These consumer protections should include:

- Require loan payments to be reported to credit bureaus to help consumers build a solid credit record;
- Limit or eliminate hidden fees such as prepayment penalties and NSF fees;
- Require amortization of the loans; and
- Assess an applicants' ability to repay.

Our experience in Alaska has shown that these protections are effective in assisting consumers in meeting their needs without trapping them in a cycle of debt.

OppFi's platform includes the robust safeguards and strong consumer protections described above, which is a core reason why we have been able to serve more than one million customers. These features differentiate the products we facilitate from the predatory lenders.

OppFi maintains a 4.5/5.0 star rating on Trustpilot with more than 3,600 reviews, which makes the Company one of the top-rated consumer financial platforms. OppFi also has an A rating from the Better Business Bureau (BBB). OppFi has also been identified as providing “Best In Class” consumer protections<sup>1</sup> as well as “Best Loans for Alternative Credit.”<sup>2</sup>.

OppFi also provides customers with extensive financial literacy tools, and we partner with several social impact providers to help meet the needs of customers. For instance, we partner with SpringFour, which helps connect consumers to community-based services such as food banks and job training. OppFi also partners with Experian Boost to, hopefully, helps customers build their credit.

OppFi also helps consumers shop around for better rates: the OppFi platform is a mobile-optimized online application that also assists consumers in finding potentially better loan options. Specifically, the OppFi TurnUp Program enables eligible applicants to opt in to help them find more affordable credit options. It checks the market voluntarily on their behalf for sub-36% APR products offered by traditional, mainstream lenders. If any lower cost products are identified, OppFi displays the offers from the applicable lenders and consumers can choose to finish their application at another lender’s website. However, if no mainstream credit options are available with an APR of less than 36%, consumer may continue with their OppFi application.

We believe that this approach would have significant unintended consequences and would cause more harm to the consumers and communities.

Inflationary pressures are straining consumers' finances while banks are reducing their consumer lending activities. For those subprime consumers that do not have access to a credit card or other mainstream credit in the event of an emergency, this squeeze is having a devastating impact. We urge you to work with us to help ensure that consumers who can’t otherwise obtain access to credit in Alaska still have a life-line if they need it.

Thank you for your time and consideration. Please feel free to reach out to me at [jrubin@oppfi.com](mailto:jrubin@oppfi.com) with any questions.

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<sup>1</sup> <https://www.badcredit.org/news/oppfi-offers-products-to-rebuild-credit/>

<sup>2</sup> <https://www.investopedia.com/best-personal-loans-with-no-credit-check-7101289#toc-opploans>



April 23, 2024

The Honorable Neal Foster  
Co-Chair  
House Finance Committee  
Alaska State Legislature

The Honorable DeLena Johnson  
Co-Chair  
House Finance Committee  
Alaska State Legislature

The Honorable Bryce Edgmon  
Co-Chair  
House Finance Committee  
Alaska State Legislature

***Re: Comments on HB 145, "An Act relating to loans in an amount of \$25,000 or less; relating to the Nationwide Multistate Licensing System and Registry; relating to deferred deposit advances; and providing for an effective date."***

Dear Co-Chairs Foster, Johnson, and Edgmon:

The Online Lenders Alliance (OLA) would like to provide the following comments to the Alaska House Finance Committee in opposition to *HB 145, legislation that would repeal the state's deferred deposit statute and impose a new predominant economic interest (PEI) standard on certain bank loans.*

OLA represents the growing industry of innovative companies focused on credit inclusion and financial solutions for all Americans through a common goal: to serve hardworking Americans who deserve access to trustworthy credit. Consumer protection is OLA's top priority and members abide by a rigorous set of Best Practices to ensure consumers are fully informed and fairly treated.<sup>1</sup>

The cornerstone of financial inclusion is the opportunity and ability to access credit, which results in greater independence while affording borrowers more control over their own financial health. The reality, however, is that not everyone has equal access to credit, despite the fact that so many Americans need credit, oftentimes unexpectedly. According to federal data, more than **17 percent of households in Alaska are unbanked or underbanked.**<sup>2</sup> Looking more closely at

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<sup>1</sup> OLA Best Practices <https://onlendlendersalliance.org/best-practices/>

<sup>2</sup> <https://www.fdic.gov/analysis/household-survey/2021appendix.pdf>

the underbanked data, **the rate among Black and Native residents is 33 and 36 percent respectively for each.**<sup>3</sup> Furthermore, **31 percent of Alaska consumers are credit constrained,** meaning that they are borrowers with limited credit history or poor/fair credit scores.<sup>4</sup>

OLA advocates for policy outcomes that create more credit options for consumers, and we support more banks and regulated alternative credit lenders providing these options in a competitive marketplace.

Banks have historically struggled to provide small dollar credit to consumers. In fact, the FDIC implemented the “Small-Dollar Loan Pilot Program” in 2008 and 2009, trying to encourage banks to offer small dollar credit. At the conclusion of the program, the FDIC stated that the interest and fees of these small dollar credit products were not sufficient in achieving “robust profitability.”<sup>5</sup>

In 2022, the Government Accountability Office (GAO) issued a report on the affordability and availability of basic banking products.<sup>6</sup> The market participants they spoke to “on regulatory uncertainty around small-dollar loans told us banks are hesitant to offer such loans in part because of changes to related rules or guidance in recent years.” Other commentators stated that “banks do not want to offer small-dollar products because they are expensive to develop, and the regulations or supervisory expectations may change.”

Therefore, many consumers turn to alternative lenders for small-dollar loan products because they are unable to obtain these products from other financial institutions. And today, financial technology companies increasingly offer services that enable banks – especially community banks – to expand the populations they serve and fill the gaps left in the market without being dependent on a physical branch.

When states eliminate small-dollar credit options, their constituents lose. **Similar to the Alaska’s HB 145, Illinois passed a 36 percent interest rate cap with a new PEI test in March 2021. By 2024, lender licenses decreased by 64 percent** with the largest drop occurring with installment lenders.<sup>7</sup> **An academic study released last year by three leading economists found that the law decreased the number of loans to subprime borrowers by 44 percent while increasing the average loan size to subprime borrowers by 40 percent.**<sup>8</sup>

The aforementioned study also included data from an OLA survey of previous borrowers who had taken out loans with APRs exceeding 36 percent; the survey showed that **most of those borrowers have since been unable to borrow money when they need it, with 80 percent of respondents wanting the option to return to their previous lender,** most of whom are no

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<sup>3</sup> <https://scorecard.prosperitynow.org/data-by-location#state/ak>

<sup>4</sup> <https://scorecard.prosperitynow.org/data-by-location#state/ak>

<sup>5</sup> <https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2010-vol4-2/fdic-quarterly-vol4no2-smalldollar.pdf>

<sup>6</sup> <https://www.gao.gov/assets/gao-22-104468.pdf>

<sup>7</sup> <https://onlenderalliance.org/three-years-into-illinois-rate-cap-lender-licenses-are-down-64-percent-highlighting-how-rate-cap-has-significantly-diminished-consumers-access-to-credit/>

<sup>8</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4315919](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4315919)



longer in the marketplace. OLA is the only organization that surveyed the very borrowers who had actually used small dollar loans in Illinois before the rate cap to better understand the law's impact.<sup>9</sup>

In January 2023, New Mexico enacted a similar rate cap. One year later, the state saw a 50 percent decline in lender licenses. An OLA survey of New Mexico consumers had similar results to the survey in Illinois – many consumers no longer could access credit and most wanted to go back to their previous lender if they had a financial need.<sup>10</sup>

Proponents of rate caps and restrictions on credit products defend the enactment of credit restrictions to nonprime consumers by touting the Military Lending Act (MLA), which imposes an artificially restrictive 36 percent rate cap on military servicemembers and covered dependents. However, **researchers at the Urban Institute recently found that the credit restrictions of MLA “did not lead to better credit and debt outcomes for service members most likely to be affected by this policy.** For the most vulnerable individuals—those with deep subprime credit scores—the policy may have had negative effects by limiting their access to credit.” They therefore concluded that “extending the consumer protections of the expanded MLA, including the 36 percent APR cap, to revolving credit products available to all borrowers would not be an effective way of improving the credit health of most Americans.”<sup>11</sup>

**The aim of a vibrant market system is to allow for competition which gives the consumer more offerings and the best deal regardless of where they are located. Unfortunately, HB 145 will reduce credit options and financial innovation for Alaskans.** We respectfully oppose HB 145 and ask the Committee to reject this bill. We welcome the opportunity to work with members of the Alaska State Legislature to pursue meaningful alternatives.

Sincerely,



Andrew Duke,  
CEO  
Online Lenders Alliance

CC:

The Honorable Julie Coulombe  
The Honorable Mike Cronk  
The Honorable Will Stapp  
The Honorable Frank Tomaszewski  
The Honorable Alyse Galvin

The Honorable Frank Tomaszewski  
The Honorable Alyse Galvin  
The Honorable Sara Hannan  
The Honorable Andy Josephson  
The Honorable Dan Ortiz

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<sup>9</sup> Ibid.

<sup>10</sup> <https://onlendlendersalliance.org/new-data-shows-one-year-after-new-mexico-implemented-its-rate-cap-credit-options-are-sharply-lower/>

<sup>11</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3505440](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3505440)

