,BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of a Working Case to	)	
Draft a Rule Regarding	)	**Case No. AW-2014-0329**
Utility Pay Stations and Loan Companies.	)	

STAFF REPORT

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and hereby tenders its *Report* as directed by the Commission in its *Order Opening A Working Case To Assist In The Drafting Of A Rule Regarding Utility Pay Stations And Short-Term Lenders,* issued herein on May 14, 2014. It is Staff's recommendation herein that the Commission **NOT** draft the contemplated rule, as the Commission's authority for doing so is at best unclear.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served, by hand delivery, electronic mail, or First Class United States Mail, postage prepaid, to all parties of record on the Service List maintained for this case by the Data Center of the Missouri Public Service Commission, on this **13th day of August, 2014.**

/s/ Kevin A. Thompson

M E M O R A N D U M

To: Missouri Public Service Commission Official Case File
File No. AW-2014-0329

From: Natelle Dietrich
Director, Tariff, Safety, Economic and Engineering Analysis

/s/ Natelle Dietrich 08/13/14	/s/ Kevin Thompson 08/13/14
Tariff, Safety, Economic and Engineering Analysis/Date	Staff Counsel's Office/Date

Subject: Staff Report

Date: August 13, 2014

I. Staff Recommendation

As discussed in these comments, many consumer groups, individuals and researchers have identified issues related to the practices of certain payday lending institutions. Staff is sensitive to the concerns raised by the various commenters; however, it is Staff's opinion that the Commission does not have clear authority to address the many issues outlined through the course of this docket. Therefore, Staff recommends the Commission not promulgate a rulemaking. Should the Commission determine nonetheless that a proposed rulemaking is necessary and appropriate, Staff recommends proposed rule language that is a modified version of language proposed by Consumer's Council of Missouri ("CCM").

II. Background and Summary of Comments

On May 14, 2014, the Commission issued an Order Opening Working Case to Assist in the Drafting of a Rule Regarding Utility Pay Stations and Short-Term Lenders ("Order") to facilitate Staff's efforts in obtaining input from interested stakeholders regarding the drafting of a rule. The Order directs Staff to file a report either proposing language for a rule or explaining why such a rule is not appropriate.

On May 22, Staff filed a motion asking the Commission to take administrative notice of various submissions in Case No. AX-2010-0061; requesting the Commission direct interested stakeholders to provide proposed rule language or useful concepts and direct all regulated utilities that are not small utility companies to provide information concerning their use, or lack thereof, of pay stations by June 25, 2014; and, requesting the Commission to convene a workshop on July 10, 2014. On May 27, the Commission included the various submissions from Case No. AX-2010-0061 into the present docket and issued a Notice of Opportunity to Comment and Request for Responses.

Appendix A

Written comments were submitted by QC Holdings, Inc., Missouri Energy Development Association ("MEDA"), Kansas City Power & Light and KCP&L Greater Missouri Operations Company (collectively, "KCPL"), The Empire District Electric Company and The Empire District Gas Company (collectively, "Empire"), The Office of the Public Counsel ("OPC"), CCM, Summit Natural Gas of Missouri, and Liberty Utilities. KCPL, OPC and CCM submitted proposed rule language. By email, Ameren Missouri submitted confidential information directly to Staff. Attachment ND-1 is a summary of the comments and the proposals for rule language.

On July 10, Staff convened a workshop to address issues related to pay stations and to discuss proposed rule language. The workshop was very well attended, and Staff would like to thank everyone for the insightful discussions. In addition to representatives for the stakeholders mentioned above[1], also in attendance were representatives from Operation Break Through ("OBT"), Missouri Faith Voices, Missouri American Water Company ("MAWC"), Laclede Gas Company/Missouri Gas Energy (collectively, "Laclede"), Grass Roots Organizing ("GRO"), American Association of Retired Persons ("AARP"), People's Community Action Corp., and a former legislator.

Following are some of the comments received at the workshop, in no particular order, paraphrased and with no preferential treatment:

- Allowing utility payments at predatory locations is a marketing tool to get people in the door.
- Logo on the door that says "Ameren" or "Laclede" provides legitimacy to the predatory business.
- It is disturbing that the Commission is waiting for issues to arise before making a rule.
- Community groups could assist the utilities with reaching out to alternatives to predatory businesses.
- Public education is needed to make sure customers know to go to "authorized" agents, not "unauthorized" agents.[2]
- The Commission should take preventative, proactive action.
- A rule should set the Commission's regulatory expectations. The Commission should not allow problems to exacerbate. The Commission should not allow the industry to prey on citizens. This is an opportunity to "draw the line".
- Need to avoid an overbroad rule. Utility has no control over "unauthorized" agents.
- No utility is seeking out payday lenders as pay stations.

[1] QC Holdings, Inc. was not in attendance.
[2] An "authorized" agent is a pay station that has contracted with the utility to accept payments. The contract includes such things as terms for accepting payment and requirements for prompt remittance of the payment to the utility. An "unauthorized" pay station is an entity that holds itself out as accepting utility payments, but that entity has not entered a contract with the utility so there are no set parameters for acceptance or remittance.

- Why is focus just on payday lenders as predatory businesses? Why not places like liquor stores, cigarette stores, casinos, other places that some may view as presenting potential morality issues.
- Customer convenience – Is it acceptable to make a customer travel 5-10 miles to make a payment in order to avoid using predatory businesses as pay stations?
- Customers get into a trap with predatory lenders. Once they take out a loan, it is very difficult to break the cycle of additional loans. The average loan is $300, but repayment is $700.
- Stakeholders presented various examples of ways consumers are enticed into a payday lending business (i.e., Santa Claus stands outside the door.)
- The Commission needs to avoid the "day-to-day" business management of the utility.
- The utilities are not aware of any customer complaints related to predatory businesses as "authorized" agents. If a customer calls in need of a place to make a payment, the utility assists the customer in finding an "authorized" agent or establishes an arrangement with a new "authorized" agent.
- The Commission's Consumer Services Unit has not received any complaints related to "authorized" pay stations. It receives a couple complaints per year related to "unauthorized" pay stations.

Additional written comments have been submitted on behalf of Women's Voices Raised for Social Justice ("WVRSJ"), GRO, Mary Still, Missouri Association for Social Welfare ("MASW"), Missouri State Women's Political Caucus ("MOWPC"), OBT, Mike Dandino, utility customer, and KCPL. Attachment ND-2 summarizes the post-workshop comments.

In addition to the written comments summarized in the attachments to this Memorandum, 5 public comments were submitted to EFIS. The public comments indicate payday lenders should not be allowed as utility pay stations, stating: these businesses make inordinate profits from those least able to pay; they prey on poor, uneducated people and are nothing but loan sharks; they create opportunities for the poor to be seduced into and exploited by borrowing money at usurious rates; most grocery stores accept utility bill payments so there are plenty of options for those who are unable to mail or use electronic bill pay; and, exposure to predatory lender marketing may fatigue low-wage earners and cause them to become susceptible to marketing ploys.

III. <u>Works Cited in Comments</u>

In its June 25, 2014 written comments, OPC states that the concerns it has raised in previous Commission dockets related to co-located utility pay stations and predatory lenders continue. OPC cites several publications to provide context for its concerns. Staff has reviewed these publications and provides, from those works and in no particular order or preferential value, the following statistics and commentary related to payday loans used for utility payments and to general payday loan analyses.

- 5.5 percent of adults nationwide have used a payday loan in the past five years, with three-quarters of borrowers using storefront lenders and almost one-quarter borrowing online.
    - Borrowers take out eight payday loans a year, spending about $520 on interest with an average loan size of $375.
- Most payday borrowers are white, female, and between 25 to 44 years old.
- Five groups have higher odds of having used a payday loan:
    - Those without a four-year college degree;
    - Home renters;
    - African Americans;
    - Those earning below $40,000 annually; and
    - Those that are separated of divorced.
- While lower income is associated with a higher likelihood of payday loan usage, other factors can be more predictive of payday borrowing than income. (For instance, low income homeowners are less likely to use payday loans than higher income renters.)
- The first time people took out a payday loan:
    - 69 percent used it to cover a recurring expense, such as utilities, credit card bills, rent or mortgage payments, or food;
    - 16 percent dealt with an unexpected expense, such as a car repair or emergency medical expense.[3]

> Though results vary across studies, there is evidence that the expansion of payday credit exacerbates financial difficulties, at least for a subset of borrowers: rather than allowing households to pay important bills and forestall bankruptcy, payday loans exacerbate their difficulty in paying mortgage, rent and utilities bills (Melzer 2011) and increase their likelihood of filing bankruptcy (Skiba and Tobacman 2011).[4]

Section 579 of the National Defense Authorization Act for Fiscal Year 2006 directed the Secretary of Defense to submit a report on predatory lending practices directed at members of the Armed Forces and their families. The report was to include an assessment of various aspects of predatory lending and provide strategies to reduce or eliminate predatory lending practices directed at the Armed Forces and their families.

The report describes "a safety net" available for Service members and their families that have financial crises, provided as a means to avoid predatory lending.

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[3] *"Payday Lending in America: Who Borrows, Where They Borrow, and Why"*. The PEW Charitable Trusts. http://www.pewtrusts.org/en/research-and-analysis/reports/2012/07/18/payday-lending-in-america-who-borrows-where-they-borrow-and-why. July 18, 2012.
[4] *"Spillovers from Costly Credit"*. Brian Melzer, Department of Finance, Kellogg School of Management. ftp://ftp2.census.gov/ces/wp/2013/CES-WP-13-11.pdf. March 2013.

Following is a table summarizing support provided by the Army Emergency Relief[5], potentially in lieu of the assistance being provided by payday-type lenders (highlight added):

Reason for Assistance	Number of cases	Percent	Dollar amount	Percent
Required travel	8,912	21	$8,156,669	21
Rent	8,181	19	$11,050,075	28
Essential automobile	7,548	18	$9,021,569	23
Food	5,203	12	$1,996,104	5
Utilities	4,755	11	$1,898,261	5
Other	3,720	9	$1,998,827	5
Referrals	3,177	7	$2,714,496	7
Funeral	558	1	$1,472,263	4
Non-receipt of pay	506	1	$542,076	1
Medical/dental	362	.8	$484,062	.7
Loss of funds	117	.2	$139,576	.3
Total	43,039	100	$39,473,978	100

> Despite the prevalence of [payday loans], little is known about the effects of access to this form of short-term, high-cost credit…Though the size of the typical payday loan is only $300, [research] find[s] that loan approval for first-time applicants increases the two-year Chapter 13 bankruptcy filing rate by 2.48 percentage points.
>
> …
>
> Payday loans offer some of the highest-interest formal credit available in the United States to a financially stressed population with limited alternatives…and the payday loan industry asserts that the loans help customers cope with short-term shocks that arise between paychecks. Many policymakers and consumer advocates have a different view, deeming the loans predatory and usurious.[6]

The Insight Center for Community Economic Development ("Insight Center") found that the payday lending industry had a negative impact on the national economy and jobs. The following excerpt represents the determination of the net impact of payday lending in terms of value added to the Missouri economy and jobs in 2011.

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[5] *"Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents"*. http://www.defense.gov/pubs/pdfs/report_to_congress_final.pdf. August 9, 2006.

[6] *"Do Payday Loans Cause Bankruptcy?"*. Vanderbilt Law and Economics Research Paper No. 11-13. Paige Marta Skiba and Jeremy Tobacman. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1266215. November 9, 2009.

Figure 7
Payday Lending Interest Payments, Total Value Added, Net Value Added, and Estimated Jobs Lost, by State, 2011[7]

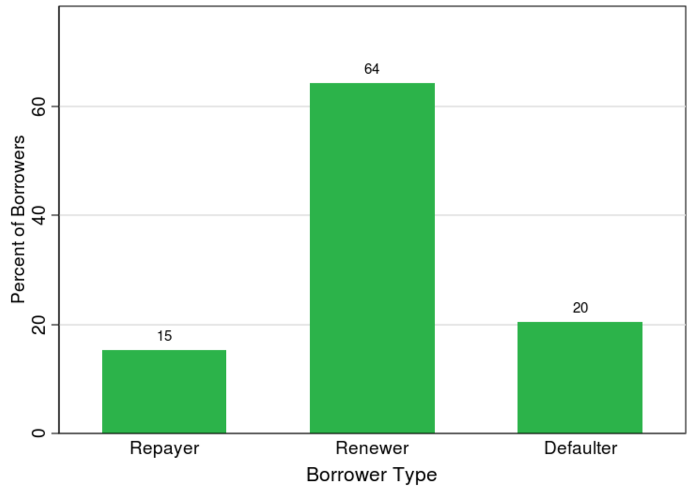
State	Total Payday Lending Interest Payments (estimated)	Scenario 1: Total Value Added from Payday Landing Industry	Scenario 2: Total Value Added from Household Spending with No Payday Lending Interest Payments	Net Value Added (or Lost) (Scenario 1 - Scenario 2)	Estimated Jobs Gained (or Lost)
Missouri	$76,664,152	$128,844,693	$146,769,459	**$(17,924,766)**	**(262)**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established the Consumer Financial Protection Bureau ("CFPB"). The first of a series of publications from the CFPB's Office of Research contains the following statistics.[8]

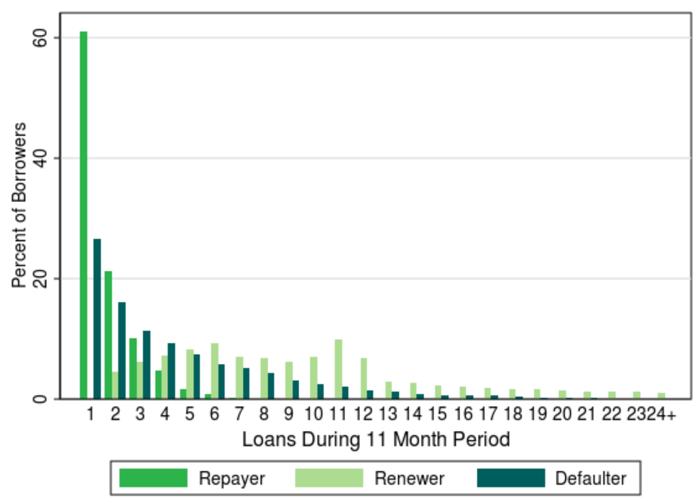
- Over 80 percent of payday loans are rolled over or followed by another loan within 14 days.
- 15 percent of new loans are followed by a sequence of loans at least 10 loans long.

[7] *"The Net Economic Impact of Payday Lending in the U.S."*. INSIGHT – Center for Community Economic Development. Tim Lohrentz. http://www.insightcced.org/uploads/assets/Net%20Economic%20Impact%20of%20Payday%20Lending.pdf. March 2013.
[8] *"CFPB Data Point: Payday Lending"*. The CFPB Office of Research. http://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf. March 2014.

The following table demonstrates that 64 percent of new borrowers renew their payday loans, 20 percent default and 15 percent repay their loans.



The variation in the number of loans that payday borrowers take out over the course of a year is related to whether the borrowers repay versus renew the loans.



IV. Company-Specific Information

At the workshop, the utility companies indicated they were not aware of any specific concerns related to using short-term lenders as pay stations. In its June 25, 2014, comments, KCPL provided the following summary of its payments.

> The majority of the Company's authorized pay station network is comprised of grocery and convenience stores, pharmacies, and small town businesses. There are currently nine (8-MO; 1-KS) locations out of KCP&L's total authorized pay station network of 77 (69-MO; 8-KS) that offer check cashing services and/or payday loans.

…

> The volume of payments processed at all KCP&L authorized walk in pay stations continues to decline compared to past years. In 2013, only 2.6% of the total payments processed were at authorized walk in pay stations. The dollar volume of those payments was 1.6% of total payment amounts made by our customers. As a subset of these payments made at authorized walk in pay stations, the number of payments made at pay day lender locations was 10% of total pay station network payments and less than 0.2% of total payments made by our customers.

In response to Data Request 0002 asking for similar statistics, Ameren Missouri responded:

> The majority of Ameren Missouri's authorized walk in payment network is comprised of grocery and convenience stores as well as small town businesses. There are currently 4 locations out of 247 authorized pay stations in Missouri that offer a loan service as well. The volume of payments processed at Ameren Missouri's authorized walk in payment locations continues to decline by a small percentage each year. In 2013, 11.3% of total payments processed were taken at the authorized walk in payment locations. The dollar amount of these payments was 7.2% of total payments made by customers using all available payment options. As a subset of these payments made at authorized walk in payment locations, the number of payments made at locations that also provide a loan service was 4.67% of total pay station network payments and .53% of all total payments made by Ameren Missouri customers.

In response to Data Request 0003 asking for similar statistics, Laclede responded:

> Laclede
>
> Out of 184 pay stations, five (5) are licensed payday lenders (2.7%).
>
> 7.3% of the total payments processed were at authorized walk in pay stations. The dollar volume of those payments was 7.9% of total payment amounts made by our customers. As a subset of these payments made at authorized walk in pay stations, the number of payments made at pay day lender locations was 6.8% of total pay station network payments, and less than 0.6% of total payments made by our customers.
>
> MGE
>
> Out of 158 pay stations, five (5) are licensed payday lenders (3.2%).

> 3.5% of the total payments processed were at authorized walk in pay stations. The dollar volume of those payments was 3.6% of total payment amounts made by our customers. As a subset of these payments made at authorized walk in pay stations, the number of payments made at pay day lender locations was 8.4% of total pay station network payments, and less than 0.3% of total payments made by our customers.

In response to Data Request 0004 asking for similar statistics, MAWC responded:

> Our pay in person payment locations are comprised of grocery stores, convenience stores, pharmacies, and other small businesses. The volume of payments made at these authorized locations account for 7.3% of the total payments collected for Missouri American and 5.3% of the total cash. Of these there are eight that offer check cashing and/or payday loans services. These locations make up less than 1% of the total number of pay in person payment locations that serve Missouri American customers.

Empire, Liberty and Summit indicate they do not use short term lenders as pay stations.

V. <u>Commission Authority</u>

Perhaps the greatest single obstacle to regulation by the Commission of the use of payday lenders as utility pay stations is the fact that such lenders are engaged in an entirely lawful, even if distasteful, business.[9]

The Commission's rulemaking authority is distributed over a number of statutory provisions. At § 386.250, RSMo., the Commission is granted authority to make rules concerning utility billing practices:

> [The jurisdiction, supervision, powers and duties of the public service commission herein created and established shall extend under this chapter:]
>
> * * *
>
> (6) To the adoption of rules as are supported by evidence as to reasonableness and which prescribe the conditions of rendering public utility service, disconnecting or refusing to reconnect public utility service and billing for public utility service. All such proposed rules shall be filed with the secretary of state and published in the Missouri Register as provided in chapter 536, and a hearing shall be held at which affected

[9] *See* Chapters 367 and 408, RSMo. Payday lenders are licensed by the State of Missouri. According to the Annual Report for 2012 of the Missouri Department of Insurance, Financial Institutions and Professional Registration, there were 934 licensed payday lenders operating in Missouri. http://difp.mo.gov/documents/2012DIFPAnnualReport; accessed August 11, 2014.

> parties may present evidence as to the reasonableness of any proposed rule; and
>
> (7) To such other and further extent, and to all such other and additional matters and things, and in such further respects as may herein appear, either expressly or impliedly.

Subsection (6) does not specifically list “collection” or “payment” among the activities subjected to Commission rulemaking authority. However, with subsection (7), it is arguable that these provisions authorize the Commission to make rules concerning the types of businesses that utilities may enter into formal relationships with as “authorized” pay stations.

Section 393.130.1, RSMo., requires every public utility to “furnish and provide such service instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable” and § 393.140(2), RSMo., authorizes the Commission “to order such reasonable improvements as will best promote the public interest [and] preserve the public health[.]”[10] On the theory that a payday loan establishment is in some way “unsafe” for consumers, these provisions arguably authorize the Commission to make rules regulating the use of such establishments as authorized utility pay stations.

In summary, Staff has determined that the Commission’s authority to regulate the use by public utilities of payday lenders as authorized utility pay stations is at best unclear.

VI. Staff Analysis and Recommendation

The comments and information reviewed and summarized in the preparation of this Memorandum demonstrate that many consumer groups, individuals and researchers have identified issues related to the practices of certain payday lending institutions. The information provided by the various commenters suggests consumers that obtain short-term loans are often caught in a downward financial spiral. Research suggests that some customers, when threatened with the prospect of disconnected utility service, will use short-term lenders as a funding resource for payments.

Staff is sensitive to the concerns raised by the various commenters and acknowledges the financial straits of certain consumer groups that obtain short-term loans; however, the Commission does not have the authority to address issues related to whether the interest rates charged by short-term lenders are usurious or whether the practices of such lenders are predatory in nature.

As previously noted, there are “authorized” utility pay stations and “unauthorized” utility pay stations. An “unauthorized” pay station is an entity that holds itself out as accepting utility payments, but that entity has not entered into a contract with the utility so there are

[10] Similar authority is found at § 386.310.1, RSMo.

no set parameters for acceptance or remittance of the payments. Even if the Commission promulgated a rule to prohibit the use of “unauthorized” pay stations, it would be very difficult to monitor and enforce since these entities are outside the purview of the Commission’s jurisdiction. The Commission would have no control over “Joe’s Gas Station” accepting electric payments.

An “authorized” agent is a pay station that has contracted with the utility to accept payments. The contract includes such things as terms for accepting payment and requirements for prompt remittance of the payment to the utility. Despite the various concerns and issues raised by commenters and the works cited, there is no evidence in the file indicating there are issues specifically related to Missouri regulated utility companies using payday lenders as “authorized” utility pay stations – arguably bringing the practice under oversight of the Commission.

The question then becomes – Should the Commission take proactive, preventative actions to promulgate a rule that restricts the use of payday lenders as “authorized” utility pay stations in an effort to ‘”draw the line” in the sand’ as suggested by some workshop attendees and commenters? Staff recommends the Commission ***not*** promulgate a rulemaking for the sake of addressing a problem that may or may not happen at some point in the future. Should the Commission determine that a proposed rulemaking is necessary, Staff recommends the following proposed rule language which is a modification of language suggested by Consumer’s Council of Missouri.

4 CSR 240-10.090 – Restrictions applicable to the use of authorized pay stations

PURPOSE: This rule prescribes the restrictions applicable to the the use of authorized pay stations by electric, gas and water utilities operating under the jurisdiction of the Public Service Commission.

> (1) No utility may enter into any contractual or authorized pay agent relationship with:
> (A) Pawnshops, auto title loan companies, payday loan companies or other short term lending entities that are engaged in the business of making unsecured loans of five hundred dollars or less with original payment terms of 31 days or less; or,
> (B) Pawnshops, auto title loan companies, payday loan companies or other short term lending entities that otherwise lend money where repayment is secured by the customer’s postdated check; or,
> (C) Liquor stores; or,
> (D) Cigarette stores; or,
> (E) Casinos.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of a Working Case to Draft a Rule Regarding Utility Pay Stations and Loan Companies	)))	Case No. AW-2014-0329

AFFIDAVIT OF NATELLE DIETRICH

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Natelle Dietrich, of lawful age, on oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.

Natelle Dietrich

Natelle Dietrich

Subscribed and sworn to before me this 13th day of August, 2014.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086

Susan L Sundermeyer

Notary Public

AW-2014-0329 - Utility Pay Stations and Loan Companies
Stakeholder Responses - June 25, 2014

Stakeholder Name	Response	Proposed Rule
MEDA	Not aware of any change in circumstance since the last time the Commission reviewed the topic.	
	Not aware of any customer complaints or problems assoicated with use of authorized pay stations.	
	Commission should not take steps that are inadvertently adverse to public interest.	
	Commission should keep in mind importance of convenience and flexibility of pay agent arrangements.	
Empire	Uses a network of business, but no short term lender.	
	Prefers to maintain the flexibility to select its own pay station locations.	
	Each utility should be able to make these types of managerial decisions without unnecessary interference.	
KCPL/GMO	Valuable customer service	Short-term lenders shall not be the sole source of authorized utility pay stations.
	Contracts with Global Express to manage pay station network. Global Express contracts and retains utility pay stations/agents.	
	Majority of pay stations are grocery & convenience stores, pharmacies, small town businesses. 8/69 MO locations offer check cashing services or payday loans.	
	Placed requirements on pay station agents: Not permitted to require a store purchase; customer is not pressured or obligated for a loan.	
	Many customers use because they are "unbanked"	
	No predatory behavior has been reported. No knowledge of written or verbal customer complaints.	
	Provided statistics on number/dollar percentage of payments at paystations.	

Liberty	Provided current listing of pay stations in Missouri. Does not appear to include payday lenders.	
	Uses Fiserv - provided website information	
Summit	Agreement with FISERV/Check Free	
	Typically offer payment locations at Wal-Mart for customers to pay gas bill that is not past due.	
	Does not use payday lenders as authorized pay agents.	
OPC	Cites several papers/works on issues related to payday loans and lenders.	9 definitions for rulemaking
	OPC has concerns that payment at payday loan store becomes an opportunity to solicit the utility customer to borrow money- potentially an on-the-spot loan to pay utility bills.	No electric, gas, water or sewer utility, or agent thereof, shall use for any bill collection services or as a bill payment agent any financial institution, trust company, currency exchange, pawnshop or pawnbroker issuing secured personal credit loans, short-term loan establishment or title loan establishment which lends money to any customer when, aggregating all interest, fees and other charges, the effective interest for such loan exceeds the state usury rate established in Mo. Rev. Stat. § 408.030.1 or the market rate defined therein, whichever is higher.
	The negative impact of co-locating a regulated utility pay station with a predatory lender far outweighs the modest benefit of payment convencience.	No electric, gas, water or sewer utility, may receive any funds transferred from any affiliate entity where the affiliate entity accepts any funds as payment for regulated services provided by the utility where such payment, if transacted directly with the utility, would be disallowed under section 2 of this rule.

Consumers Council	For years, CC has been fielding concerns about Commission-regulated utilities that (directly or indirectly) associate with pay agents that are also engaging in the practice of offering short term loans.	No utility may enter into any formal pay agent relationship with pawnshops, auto title loan companies, payday loan companies or other entities that are engaged in the business of making unsecured loans of five hundred dollars or less or that otherwise lend money where repayment is secured by the customer's postdated check.
	Missouri is well-known for having some of the most permissive laws with regard to allowing high interest payday lending terms.	
	A short-term lender that is a utility pay agent is a "hazardous situation ripe for predatory behavior".	
	Formal arrangements between Commission-regulated utilities and payday lenders creates the appearance that the Commission sanctions such associations.	
	Payday loans "siphon off consumer resources" and depletes money that could be used to pay utility bills, increase demand for federal and state low-income assistance, increase uncollectibles, make disconnections more likely.	
QC Holdings (payday lender)	If the Commission determines that MO consumers should pay no additional fees when making utility payments, QC has no objections.	
	Strongly contest the unsupported opinion that payday loan stores are taking advantage of bill pay customers.	
	Offering of short-term loans and accepting utility bill payments are entirely separate transactions.	
	Consumers typically use payday lenders to pay utility bills because they do not have checking accounts.	
	Payday loan customers are required to have checking accounts.	
	Offer utility bill-pay service as a convenience.	
	Many use bill-pay service to avoid late payment and utility shut-off fees, cost of postage and money orders.	

AW-2014-0329 - Utility Pay Stations and Loan Companies
Stakeholder Responses - July and August 2014

Stakeholder Name	Response	Proposed Rule
WVRSJ	Support a proposed rulemaking. The PSC should act to prevent any formal or informal relationship between utility companies and payday lenders.	
	Missouri lacks effective oversight of the payday loan industry, allowing them to charge triple digit interest rates that trap families into a spiral of debt.	
	Allowing utility companies to invite consumers to use payday lender sites for utility payments gives a marketing advantage and an implicit stamp of approval for predatory lenders.	
	Anecdotal and solid research (Brian Melzer-*Quarterly Journal of Economics,* 2011) indicates access to payday loans increases households' difficulty to pay mortgage, rent, utility bills.	
GRO	Even if a PSC rule is not full-proof or fail-proof, NOT having a rule at all leaves companies, consumers and Commissioners at risk of public's perception of promoting payday storefront, exposing customers to predatory products and increasing likelihood of further payment arrearage crisis.	
	Public utilities must remain trusted reputable companies.	
	Several years of direct consumer experience educating and advocating shows that MO constituents find themselves in payday loan debt initially from a financial household emergency such as not having the rent payment or facing a utility shut-off. (Provides a couple examples.) Provides links to various articles.	
Still	There is no question payday lenders have used predatory tactics to target Missouri's working poor, causing harm to the customer, the family and the community.	

	Placing pay stations in payday loan stores provides an underserved and dangerous promotion for a business that preys on vulnerable citizens.	
	Have heard form Missouri citizens, community leaders, and leaders for many religious faiths about the damage done in their communities that can be traced to legislative carveout or loophole in MO's usury laws.	
	Studies cited in OPC's filing provide evidence of the failures for the consumer - increased difficulty paying rent and utility bill due to high interest of the loans. Studies show costs to government and charity programs as borrowers adjust expenditures to accommodate high interest rates they turn to programs such as food stamps, food pantries and reduced or skipped child support payments.	
	While no one expects the PSC or the monopoly utilities to solve the problems of society, there is no reason to exacerbate them.	
MASW	Very concerned about MO's very lax regulation of the payday loan industry and the terrible consequences occuring in families with low incomes.	
	Support a proposed rule - PSC should act to prevent any formal or informal relationship between utiity companies and payday lenders. PSC should protect families with low incomes from predatory lenders who are able to exploit the financial woes of families with low incomes.	
	One out of 5 non-elderly households in MO survives on an annual income of less than $17,000. They frequently face utility disconnection and may make unwise decisions related to high-interest loans out of desperation. Some Section 8 leases are void if family allows utilities to lapse. The fear of disconnect in dangerously hot or cold weather could send some to payday lenders for assistance.	

MOWPC	Lax regulation of the payday loan industry in MO has always been an issue as a burden on low income households. Many of these households are headed by women.	
	Urge the PSC to act to sever any relationship between utility companies and payday lenders and to prevent any future relationship.	
	The utilty bill paying scheme is not a convenience. Common sense dictates it's a burden.	
OBT	Very concerned about the presence and activities of payday loan companies. If you look at a map of KC you will see payday loan places are everywhere in the urban core.	
	Payday loan places provide loans at predatory rates to families who are desperate.	
	Allowing payday loan storefronts to serve as pay stations for utility bills puts families at risk. A parent with limited resources is easy prey for lenders who will entice them to borrow in order to keep heat or lights on.	
	Investigate alternative sites for payments.	

Dandino	Supports pleadings, proposed rule and comments submitted by OPC, which reflect evidence based on factual findings, conclusions and reports of the social and economic impact of payday lenders, and payday lenders as pay stations.	
	Medical expenses, unemployment, reduced and stripped pension payments and other life changing events have caused many to live at times on the margin for gas, water, electric and telephone bills.	
	Even though the Commission does not regulate payday loan businessess, the Commission should consider how these stores affect the utilities and their customers. There are issues of public protection, utility customer service and sound public policy.	

Dandino cont.	With the payday loan industry's record, should the PSC and public utilities participate in generating business for them? The siren song of quick cash increases foot traffic to provide additional target opportunities; "Need cash for that huge electric bill from the heat wave? Need to avoid a shut off? Rent overdue? Just sign here!"	
	Questions for Commission consideration: What is the specific service the customer buys? Who sets the fee? Is the store an authorized pay agent so that receipts issued by the stare are the utility's receipts? What must the store disclose to customers and how? Is payment immediately recorded to the utility records as a payment to prevent delinquencies, penalties or suspension or termination of service? Who bears the risk of loss if a payment made to the store, but is lost or otherwise not transferred to the utility? Is it considered paid or will it stop adverse action? Is the service merely to accept individual utility bill payments and ten aggregate them for transfer for the payment to the companies?	
	Asks Staff to endorse rules by OPC and supported by CCM. Asks Commission to issue proposed rules because they are just, reasonable and grounded in sound public policy and consistent with the public interest.	
KCPL	Authorized pay stations are a valuable customer service bill-payment option.	
	Company utilizes a third party to contract and retain utility pay stations/agents to provide geographical coverage; maintain an environment and business standard that reflects positively on KCPL; provide needed customer service option.	
	Concerning bill payment activity, no predatory behavior has ever been reported to KCPL. KCPL has no knowledge of any written or verbal customer complaint specific to check cashing services or payday lenders as authorized pay stations.	

KCPL, cont'd.	Concerned about promulgating additional rule language that does not provide any change or benefit to any parties. If new rules are enacted, short-term lenders could continue to accept payments, but as "unauthorized" pay stations outside the control of the utility.	
	Requests for rules appear to be largely a "symbolic effort" to influence change to Ch 367 and 20 CSR 1140, Chapter 5 covering short-term lending industry.	
	Language proposed to this point does not appropriately address the mechanics of pay stations and exposes the utility to uncertainty and risk of non-compliance.	
	As a result of this discussion, KCPL will review its limited use of short-term lenders as authorized pay stations to verify that other alternatives are not available, and to the extent possible relocate to alternative sites.	