



OSU Federal
*Your Community Credit Union**

June 22, 2010

Ms. Mary F. Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Comments on Proposed Rule for 12 CFR Part 701.

Dear Ms. Rupp:

OSU Federal appreciates this opportunity to provide comments to the National Credit Union Administration (NCUA) regarding its proposed rule related to 12 CFR Part 701 Short-Term, Small Amount Loans (STS).

NCUA has requested specific feedback from credit unions currently offering viable small loan programs to members. OSU Federal has been offering this type of loan product since January 2005 following a request from the Governor of the State of Oregon that financial institutions create alternative solutions to payday lenders. Our program is as follows:

- Maximum rate 18%
- No application fees
- Loan amount:
 - Maximum - 20% of net base pay or \$500 whichever is less
 - Minimum - \$50
- Single payment of principal and interest due within 30 days of receipt
- Each member can be obligated to only one loan at any given time
- Must be a member in good standing for 90 days or more
- Must be employed for 6 months or more at their current employer – verbal verification of employment and current pay stub are required

Another aspect of our program is that our staff counsel members on financial management. Staff are trained to look for alternative financial solutions that will assist members that are “caught in the payday lending cycle.” Financial management resources are also made available on our website and through financial education classes. The fact still remains that it is ultimately the members’ responsibility to make the changes needed to improve their financial situation.

Over the last five years, we have funded 5,718 loans totaling \$1,352,868. The average loan amount of \$237. We have not experienced high delinquencies in this loan portfolio and since implementation we have charged off 32 loans totaling \$7,144.04.

Based on our experiences and member feedback, this program has worked very well for our membership. We have been able to assist our members when they need it the most and prevented them from accessing higher interest loans from predatory lenders.

The Board proposes setting the amount of a qualifying STS loan at a minimum of \$200 and a maximum of \$1,000. While we have no concerns with the maximum loan amount of \$1,000, we have strong objections to a minimum loan amount of \$200. As indicated previously, the average loan for our members is \$237. That statistic alone illustrates the need for loans under \$200. Individual credit unions should be able to decide what minimum amount best serves their membership and credit union business plan. Many members in this situation are able to rebuild their credit and learn to manage their finances by accessing the funds needed for 30 days or less. If NCUA sets a \$200 minimum, our members would be negatively impacted. Our program has worked well with a minimum loan amount of \$50.

Finally, the Board has also indicated that borrowers of STS loans be required to participate in direct deposit or a payroll deduction program as a condition for receiving an STS loan. Not all employers are able to support direct deposit or payroll deduction. This requirement could significantly impact those that need a STS loan solely due to the fact that their employer is too small. It should further be noted that direct deposit and payroll deduction can be stopped at any time. We request that NCUA not consider either as a part of the decision criteria.

In summary, allowing Federal Credit Unions to offer STS loans is necessary and a needed resource for members. However, some of the proposed rules would impact OSU Federal's current program and negatively impact our membership. We have had a very successful program for the last five years and we want to be able to continue offering this product as we developed.

Sincerely,



Rhonda Heile-Brown
Vice President Branch Services

cc: Credit Union National Association
Credit Union Association of Oregon