David Kaiser

Attn: Mr. Poliquin

To whom it may concern at the National Credit Union Administration. I am writing to you today on behalf of a large population in America who has the need for what we currently refer to as “Payday Loans.” A short term loan until we get paid again. Although I have not experienced this type of need, I only saw them as I drove down the street, but until doing some research recently, had no idea how they worked. Upon doing this research, I am now writing to you with some concepts to think about as you move forward with your new proposal for Credit Unions to offer these types of loans. The number one concern for your future customer is trust. When we define trust according to dictionary.com, the best definition that jumps off the page is “ the obligation or responsibility imposed on a person in whom confidence or authority is placed.” A few key words to me are: obligation, responsibility, confidence, and authority. Currently, the customers who are going to these “Payday Loan” places have trust in them, and do not have this trust for any bank, which is why they don’t mind paying the high fees and interest rates that they do. So before we look at some other concerns, just know this, you have to earn their trust first in order for them to come and do business with you. As we know, the “Payday Loan” business is lucrative.

So now let’s take a look at some of the features that you want to incorporate from PALs I into the new proposal PALs II. According to federalregistrar.gov, here are 6 features that you want to bring in from PALs I “1. *Permissible interest rate.* The permissible interest rate for a loan under PALs II will be 1000 basis points above the established general interest rate ceiling, as set by the Board. 2. *Loan structure.* A PALs II loan must be a closed-end loan. 3. *Permissible fees.* An FCU may charge an application fee, provided it charges the fee to all members applying for a new loan and the fee reflects the actual costs associated with processing the application, but in no case may the application fee exceed $20. 4. *Rollovers.* An FCU may not roll over any PALs II loan, but it may extend the loan term up to the maximum 12 months permitted by the rule, if the loan was made with a lesser loan term, provided the FCU does not charge any additional fees or extend any new credit. 5. *Aggregate lending cap.* An FCU making PALs II loans must include in its written lending policies a limit on the aggregate dollar amount of loans made under this program of a maximum of 20% of net worth and implement appropriate underwriting guidelines to minimize risk. 6. *Amortization.* An FCU must amortize all PALs II loans and may not include balloon payments." Now let's take a look at the new features unique to PALs II: "1. *Loan Amount.* The Board is proposing to permit PALs II loans in amounts up to $2,000, which is significantly higher than PALs I loans. Also, PALs II would eliminate the minimum loan amount that is part of the PALs I program. 2. *Loan Term.* Corresponding to the increase in permissible loan amount, the Board is proposing a maximum loan term of 12 months. This differs from the six-month maximum loan term for PALs I, and is directly correlated to the requirement that FCUs amortize PALs loans and the proposed higher PALs II loan limit. PALs II loans would retain the PALs I minimum term of one month to ensure borrowers have sufficient time to repay their loans and are not subjected to the typical two-week repayment period imposed by most traditional payday lenders. 3. *Membership Requirement.* The Board is proposing to impose no minimum length of membership requirement for a PALs II loan. Conversely, under PALs I, an FCU must set a minimum length of membership requirement of at least one month before lending to a borrower. 4. *Number of Loans.* The Board proposes no requirement in PALs II limiting an FCU to making only three PALs loans to a member in a rolling six-month period. This limitation is applicable to PALs I loans and permits FCUs to make one loan at a time to a particular borrower and no more than three in any rolling six-month period to that borrower.” So I get it, according to the numbers, the “Payday Loan” business is lucrative, but what you have still done in your new proposal is only appeal to a small portion of us who use these types of loans and here is why. First and foremost, we don’t trust you. When we go in to get our cash checked, you put us through a series of steps that frustrates us and makes us want to leave and not come back. How about being more friendly, and not having so many steps for us to cash our checks. We know our credit is not the best, so make us feel welcome. Second, lets look at the carry over features from PALs I that you want to incorporate in PALs II. The permissible interest rate doesn’t work for us because it can fluctuate according to the general interest rate. When we go into our current places, we know what we are going to pay because it is posted up on a visible board for us to see. This builds trust for us with our current place of business. The loan structure cannot be a closed end loan. We need more time. That is what is appealing to us. The places we go do not have a membership fee. As for rollovers, we need them. If we go to your FCU they can only roll them over for up to 12 months. Not going to work for us. The aggregate lending cap is not going to work for us either. It’s difficult for us to be held to a certain aggregate dollar amount, we need options. Amortization will not work either, we don’t know how long it will take for us to pay the loan back. We need the option to have more time. Now lets take a look at the new features in PALs II. The loan amount of $2,000.00 doesn’t work for us. We need the availability to at least be able to get up to $5,000.00. The loan term is too short. Sometimes we need more than 12 months to pay it back. The membership requirement is the one thing that looks good to us. If we come in the first time and can get a loan, that is awesome. One small piece of building our trust. The number of loans in six months does not work for us either. We are check to check people. That’s how we live.

We need to option to have more than 3 loans in a six month time period. So, in summary for us when it relates to the carry over features for PALs I and the new features of PALs II, the only item that is appealing to us is the fact that there is no membership requirement.

Here are our final thoughts National Credit Union Administration. You still don't understand us. Us being the sector of people in the United States who survive from check to check. You are seemingly trying to make the "Payday Loan' process more appealing if we go to one of your FCUs, but in actuality the new PALs plan is still not for us. You want to make it "safe" for your institutions, but what you fail to realize is first, we don't trust you because you have never made us feel welcome, and second you are not fulfilling our need. So why would we go to you? Yes, we understand that the cycle we are in with our current "Payday Loan" place is not what is truly best for us, but we are willing to go there because they work with us on terms that make us still be able to live our lives. To us, the cost is cheaper than a bank. We have transparency with our current place because we know what we are getting and how much we will pay. Finally they have great service, they are friendly, they do not judge, and they have other services there as well in case we need anything else like the ability to pay a bill or get a prepaid card. They provide an immediate solution for us right now and we trust them. They key to any successful business. One other concept to keep in mind for the future is the use of technology. The ability to use an app on our phone to take care of our need. Take away some of the current road blocks for us to send money to our families overseas with one reasonable fee instead of several fees, etc. Just something to think about. Thank you for your time.

Works Cited

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Federal Registrar "Payday Alternative Loans/documents/2018/06/04/2018-11591/payday-alternative-loans." Federalregistrar.gov. Web. 7 July 2018