

August 2, 2018

Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Proposed Rule – Payday Alternative Loans (PALS) II

Dear Mr. Poliquin:

CASE Credit Union is a Michigan state-chartered credit union with \$290 million in assets and 45,000 members. CASE Credit Union appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) Payday Alternative Loans (PALS) II proposed rule.

CASE Credit Union sees the continuous cycle our members face with payday loans. The PALS I was a welcome opportunity to help these members. The NCUA Board's effort to expand Payday Alternative Loans would be welcome but welcomed with caution. We will address several of the questions the Board posed for comment.

Whether to include some or all of the features of PALS II in PALS I.

While incorporating all of PALS II into PALS I would make for a more flexible PALS I, CASE Credit Union believes the safe harbor for FCU's from the CFPB's Payday Loan Rule is more valuable. FCU's would still have an option to offer PALS I or PALS II type loans, or both. This allows each FCU to make a determination which PAL program is best suited for their institution.

Whether there is a demand for such product as a PALS III.

At this time, PALS I and II are adequate to cover all our members' needs. While we understand the potential PALS III rules could help other credit unions and their members, there are several potential rules that would only lead the member down a similar vicious payday lending cycle but with a credit union instead of a payday lender. Any PALS program should be developed to help the member get out of the cycle of continuous borrowing against their paychecks.

Should the board propose a third alternative PALS rule and why?

No, the board should not propose a third alternative PALS rule. PALS I and II allow credit unions flexibility in their PALS offering. Adding a third alternative only confuses credit unions and members alike.

Should the board increase in PALS III the maximum amount an FCU can charge for an application fee above the permitted for other PALS loans?

Yes, the board should not only increase a PALS III maximum amount an FCU can charge for an application fee but the board should seriously consider increasing the PALS II application fee. A one-size fits all approach is antiquated. Each credit union is different and should be able to make their own determination on application fees.

Should the Board allow FCUs to make more than one kind of PALS loan at a time to a borrower?

No. The goal for CASE Credit Union is to get our member's away from depending on these payday loans. Giving the option to a member to take one type of PALS loan and at the same time take another type of PALS loan would only continue the dependence on payday loans. The ability to take two different kinds of PALS loans at the same time is a slippery slope and does not benefit the member in the long run.

Should the Board eliminate for PALS III the requirement that FCUs implement appropriate underwriting guidelines?

Yes. This is a FCU's decision on what appropriate underwriting guidelines should be used. There is no one size fits all underwriting guidelines. Each FCU should be able to decide how much risk they are willing to take.

Should the Board set for PALS III the maximum loan amount above that permitted for other PALS loans?

The maximum for a PALS II loan is \$2,000. There are other alternative loan options within a FCU for loans over \$2,000. PALS III does not need to increase over \$2,000.

Should the Board permit PALS III to include an open-ended loan product?

No. FCUs have other open-ended loan products for a member. For instance, CASE Credit Union has a Student VISA and Credit-Builder VISA both would be better options than a PALS related open-ended loan product. An open-ended loan product does not help the member in payday lending cycle. It only puts the member further in a payday loan dependence cycle.

Should the Board require FCUs to conduct an ability to repay determination in PALS III similar to that required by the CFPB's Payday Loan Rule?

Yes. If there is a PALS III, FCUs will have less restrictions on payday lending. There needs to be included an ability to repay determination. It is about the member, is an FCU doing what's the best for the member.

Should the Board prohibit FCUs from charging overdraft fees for PALS loan payments drawn against a member's account?

No. This is FCU business decision. CASE Credit Union has decided not to charge overdraft fees for PALS loan but that was our decision. If another Credit Union decided to charge overdraft fees that should be within their power to decide.

Conclusion

CASE Credit Union is encouraged by NCUA's efforts to draft a flexible Payday Alternative Loans rule. We recognize the difficulty in structuring such a rule. CASE Credit Union's main concerns on the PALS proposed rule are (1) the rule helps the member escape a continuous cycle of payday borrowing and (2) the rule allows FCUs flexibility in business decisions. As NCUA continues the rulemaking process, CASE Credit Union looks forward to future discussions with the agency.

Sincerely,

A handwritten signature in black ink that reads "Derek McKerr". The signature is written in a cursive, flowing style.

Derek McKerr
Compliance Officer, CASE Credit Union