

Docket No. NCUA-2018-0030-0001

August 3, 2016

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

RE: Comment on Notice of Proposed Rulemaking on the Payday Alternative Loan Program  
RIN 3133-AE84

Dear Mr. Poliquin,

The undersigned Nebraska community and faith-based organizations are writing in response to the National Credit Union Administration's request for comment on its proposed rulemaking on the Payday Alternative Loan Program (PAL). We appreciate the opportunity to comment on this rule and strongly encourage the NCUA to make it easier for credit unions to offer small loans on fair terms to their members. Lower-cost small loan products from credit unions are urgently needed in Nebraska, where high-cost payday loans with unaffordable payments continue to harm consumers. State lawmakers have yet to set reasonable rate limits and other consumer protections for nonbank products in Nebraska. In the meantime, we hope that the NCUA will allow credit unions the flexibility to offer safer, affordable, lower-cost options that can be sustainable for the nonprofit lender and fair for the borrower.

Payday lending is a broken market that needs sensible solutions to prevent harmful, unaffordable loans, and borrowers need lower-cost alternatives. Payday lenders charge interest rates averaging 461 percent in Nebraska, and Americans across the country spend almost \$9 billion on payday loan fees annually.<sup>1</sup> Repaying a loan in just two weeks consumes more than one-third of the typical borrower's next paycheck. As a result, the average payday loan borrower remains in debt for five months of the year, spending an average of \$520 in fees to repeatedly borrow \$375. The payday lender succeeds while the borrower fails to repay the loan as advertised. In contrast, as member-owned cooperatives, credit unions would be the ideal place for these borrowers to turn for safe and transparent products that are designed for mutual success. Unfortunately, current PAL loan programs have not been flexible enough for borrowers or lenders to date.

We encourage NCUA to enable credit unions to make sustainable, small loans that would be far lower cost than payday loans on the market today. For example, a \$400, three-month loan with \$50-\$75 in total costs from a credit union would be fair and dramatically less expensive than what payday lenders charge Nebraska consumers today (\$420 in fees).

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<sup>1</sup> Center for Financial Services Innovation, 2014 Underserved Market Size: Financial Health Opportunity in Dollars and Cents (December 2015), <http://www.cfsinnovation.com/Document-Library/2014-Underserved-Market-Size-Financial-Health-Opportunity>.

NCUA should consider allowing credit unions additional flexibility while ensuring strong consumer protections including:

- Fair Prices: Rates that are fair for borrowers and sustainable, like 36 percent APR and a limited application or participation fee.
- Credit Building: Successful repayment should be reported to credit bureaus so borrowers can build credit.
- Greater Convenience: Allow members to sign up for loans as soon as they join a credit union without requiring a 30-day waiting period; this would enable credit unions to serve people who would otherwise go to payday lenders for quick access.
- No overdraft: Small loans and lines of credit from credit unions that are linked to a member's account should never trigger overdraft fees.

We urge the NCUA to give credit unions additional flexibility, paired with strong consumer protections that would enable lower-cost options inside of responsible depository institutions, rather than leaving borrowers vulnerable to the debt trap products of high-cost payday lenders.

Thank you for your attention to this solution that strengthens local credit unions and the household budgets of Nebraska residents. With your help, we're hopeful that the members of our communities who are being taken advantage of by payday lenders today can gain a much better borrowing option.

Signed,

Omaha Together One Community

Voices for Children in Nebraska

Nebraska Appleseed