Docket No. NCUA-2018-0030-0001

August 3, 2018

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,

We 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 would be a welcome development for Ohio consumers. Just this week, Ohio lawmakers have finalized landmark legislation to address the harmful features of payday and auto title loans while maintaining widespread access to credit. House Bill 123, is a bipartisan compromise that balances the interests of borrowers and lenders, ensuring that licensed providers can profitably offer loans in Ohio on terms that are affordable, fair and sustainable. Using a similar approach, the NCUA can enable credit unions the flexibility to offer safe, affordable options that are even lower-cost than what nonbank lenders will charge under Ohio's new law. To summarize, The Ohio Fairness in Lending Act provides:

- **Adequate time to repay and affordable payments**: Gives borrowers at least three months to repay or limits monthly payments on short-term loans to 6% of the borrower's gross monthly income.
- **Reasonable prices:** Authorizes a pricing structure that aligns the interests of lenders and borrowers, while maintaining widespread access to credit: 28% annual interest and a maximum monthly fee of 10% capped at $30. For example, a 3-month $400 loan would cost $109. Limits total interest and fees to 60% of loan principal so that a $400 loan can never cost more than $240.
- **Pathway out of debt:** Requires equal payments consisting of principal, interest, and fees combined, plus a reasonable amount of time to repay depending on loan size and borrowers' income; puts borrowers in control by allowing them to prepay at any time without penalty and receive a pro-rated refund of assessed charges.
- **Other basic safeguards:** protects checking accounts against harmful collections practices; prevents problems associated with telephone, internet, and mail solicitations.

Under this new law, Ohio's market will go from having the highest-priced products in the country to among the lowest. If allowed by NCUA, a viable and sustainable alternative product from credit unions would have even lower prices than what nonbank lenders will offer under Ohio's reform, which would be another major victory for consumers and well-regulated lenders alike:

Cost of borrowing...	Ohio STLA (2008 Reform failed due to insufficient revenue)	Typical loan in Ohio before HB123 enacted	HB123- as amended (enables widespread access to credit from nonbank lenders)	Sustainable credit union product, if allowed by NCUA
$400 for 3 months	$19	$367	$109	$50-75

Throughout the policy discussions in the Ohio legislature, a clear consensus from consumer advocates, business leaders, and legislators of every political perspective emerged that it is both reasonable to prevent harmful, unaffordable loans, and it is beneficial to enable lower-cost alternatives for consumers who are struggling to make ends meet. Ohio's Fairness in Lending Act has been designed to align the interests of borrowers and lenders. As member-owned cooperatives, credit unions would be well positioned to offer 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.

To achieve similar outcomes to HB123 and even lower prices, the NCUA should consider allowing credit unions enough revenue and 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 this additional flexibility, paired with strong consumer protections that would enable lower-cost options inside of responsible depository institutions, so

borrowers in Ohio can choose between a variety of safe, lower-cost options from nonbanks and credit unions alike.

Thank you for your attention to this market-based solution that strengthens local credit unions and the household budgets of Ohio residents. With your help and with the implementation of HB123, we're hopeful that the members of our communities who have been taken advantage of by payday lenders in Ohio for too long, will gain much better borrowing options and save millions of dollars each year.

Signed,

David Thomas

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