August 03, 2018

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

RE: Comments on Proposed Rulemaking - PALs II

Dear Mr. Gerald Poliquin,

I am writing on behalf of Patelco Credit Union which has over 300,000 members in Northern California and over six billion dollars in assets. Thank you for the chance to comment on the National Credit Union Administration's (NCUA) Notice of Proposed Rulemaking for Payday Alternative Loans (PALs).

PAL loans from credit unions are clearly a better choice than conventional payday loans, especially for folks who find themselves in repeated cycles of borrowing just to cover everyday living expenses. Yet, only a small fraction of credit unions have a PAL program. We are in favor of the changes the NCUA is proposing that will make is easier for credit unions to develop PAL programs.

Being based in Northern California, Patelco has a relatively more affluent membership than many credit unions. A few years ago we opened up a payday lending program as part of a program sponsored by the City of San Francisco to help residents out of the conventional payday lending trap. After a few years we found most of our payday program participants had worked their way up to where they could afford regular personal loans, which are an even better value. So the program was as success – we helped them get out of the trap. We swept all the remaining participants into regular loans, and shut down the program. The current restraints on PAL programs, coupled with the BCFP's new restrictions on payday lending have kept us from exploring a new PAL program.

Our point here is that even though the proposed changes in the NCUA rule would seem to help smaller credit unions serving poorer communities, opening up the options for PAL programs would also help larger credit unions with more affluent memberships to build PAL programs. Our experience showed that even people who make a steady income can fall into the continuous borrowing trap.

Specifically we endorse removing the limitation of how many PAL loans can be made within a certain period of time, as long as there can only be one loan at a time per member. Credit unions need the flexibility to meet their member's needs. We also endorse raising dollar limits and time frames to allow more flexibility to tailor loans as needed, while still staying inside the safe harbor from the BCFP's rules. We would like to see guidance on measuring the ability to repay for low dollar amount, short term loans, so we can establish underwriting rules that reflect our risk tolerance. We would also like to see the maximum interest rate raised into alignment with the MLA maximum of 36% APR. Credit unions should also have the option to give a PAL loan to a new member. If underwriting rules capture risk tolerance, then there should not be an artificial waiting period before we can help someone.

Thank you for the opportunity to comment on the proposed rule for payday alternative loans. We hope you find our comments useful as you finalize the new rules.

Sincerely,

Jay Hartlove
Compliance Manager
Patelco CU

cc: CCUL