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301-279-1964 · www.mcefcu.org

August 3, 2018

Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314
Via email: regcomments@ncua.gov

RE: Notice of Proposed Rulemaking, Part 701, Payday Alternative Loans II (RIN 3133-AE84)

Dear Mr. Poliquin:

The Montgomery County Employees Federal Credit Union (MC EFCU) appreciates the opportunity to comment on the proposed Payday Alternative Loans (PAL) II rule. MC EFCU has over 14,000 members in the Maryland and District of Columbia region.

MC EFCU has offered the NCUA PALs I loan to our members since 2011 and our volume of the PAL has increased each year due to the convenience and rate structure of the loans. We don't promote the loans at all, however, we rely on our members' referrals to their friends and family members. We do this because we have an opportunity in the future as we continue to work with our members. They can repair or establish a better credit score because we report their payment experience to the credit bureau, unlike payday lenders. This leads them to establish standard personal and auto loans in the future and get out of the payday loan cycle.

MC EFCU appreciates NCUA's interest in expanding opportunities for credit unions to provide small-dollar, short-term loans. We think that credit unions fit the bill for providing these lending needs as an alternative to the high rates that I mentioned above. I can speak from experience when I tell you that it has become increasingly difficult to provide our current PAL I product due to increasing delinquency and charge-offs – which lead to increased staff time and high expenses/charge-offs related to this loan type. We are re-evaluating the product to determine what changes we need to make to mitigate these expenses and still provide a viable payday loan alternative for our members.

The following points are our recommendations for the NCUA Payday Loan Alternative loans rule:

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1. Provide for a higher interest rate than the 28% currently in place to compensate for the high-risk and high-costs involved. We recommend the rate of 36% as it correlates to the Federal Deposit Insurance Corporation (FDIC) small-dollar pilot program, and the Department of Defense Military Lending Act (MLA).

2. Provide for a per application fee limit higher than the current limit of $20. We recommend a limit of $50 per application.

3. We recommend that there be another category for larger loan amounts for small-dollar, short-term loans of between $1,000 and $4,000 and that flexibility be provided for terms - up to 36-months.

4. We believe that keeping a modest membership requirement, such as the current one-month requirement, is prudent. Our experience has shown that it is important to build a relationship with our member prior to requesting a loan to reduce delinquencies and charge-offs.

5. Number of loans – we agree with the recommendation to remove the limit on the number of loans to a borrower during a rolling 6-month period.

Thank you for the opportunity to comment on the Proposed Rulemaking Part 701, Payday Alternative Loans II (RIN 3133-AE84). Please do not hesitate to contact me should you have any questions.

Sincerely,

James H. Norris, III - President and CEO
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NCUA