Credit Union National Association
CUNA

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The Honorable Greg Meeks
Chairman
Subcommittee on Consumer Protection
And Financial Institutions
Committee on Financial Services
House of Representatives
Washington DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Subcommittee on Consumer Protection
And Financial Institutions
Committee on Financial Services
House of Representatives
Washington, DC 20515

Dear Chairman Meeks and Ranking Member Luetkemeyer:

On behalf of America's credit unions, I am writing regarding the Committee's hearing on "Ending Debt Traps in the Payday and Small Dollar Credit Industry." The Credit Union National Association (CUNA) represents America's Credit Unions and their 115 million members.

Credit unions provide the safest and most affordable options for consumers in need of short-term and emergency credit. As a recent example, an estimated 800,000 families across the country faced financial insecurity during the recent federal government shutdown. America's credit unions embodied their structure and mission by ensuring that all impacted members had access to low- or no-interest loans with generous repayment terms. It's worth noting these loan programs might not have been made available – or only made available in limited numbers – had the Consumer Financial Protection Bureau's (CFPB or Bureau) Payday Rule been in place at the time.

The federal shutdown is merely the latest and most visible example of the daily work credit unions do to go above and beyond to assist members in need. In general, individual credit unions have created short-term, small dollar lending programs that are specifically-designed to meet the financial needs and goals of their field-of-membership. These small dollar loan programs are often paired with other features tailored to ensure the member is being set up to succeed, including – but not limited to – a payment schedule based on the member's needs, financial education resources, savings incentives, and/or credit counseling.

Regarding the CFPB's Payday Rule, CUNA continues to urge the Bureau to further examine and revise its rule to avoid any negative effects on credit unions' ability to offer competitive short-term, small dollar loan programs while still holding accountable non-depository payday lenders, especially those entities with histories of bad behavior. Specifically, the Bureau's approach to regulating payday lending should be consistent with several broad objectives:

- The rule should be tailored to focus on lenders who abuse consumers and entrap them in cycles of debt.
- The rule should not inhibit credit unions from continuing to offer consumer-friendly emergency credit products to members in need.

- The rule should be revised in a manner that encourages more credit unions to enter the short-term, small dollar lending market, including:
    - Creating an express, broader exemption for credit union products using the Bureau's Section 1022(b)(3)(A) exemption authority, and
    - Coordinating with the National Credit Union Administration (NCUA) to ensure consistency with changes made to the agency's Payday Alternative Loan (PAL) program, which currently benefits from an exemption under the current rule, including expanding the PAL carve-out to exempt "PAL II" expected to be finalized by NCUA.

On behalf of America's credit unions and their 115 million members, thank you for the opportunity to share our thoughts on the payday and small dollar credit industries.

Sincerely,

Jim Nussle
President & CEO