MD|DC
Credit Union Association
Engage · Influence · Impact

July 26, 2018

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

Re: 12 CFR Part 701 – Comments on Notice of Proposed Rulemaking re: Payday Alternative Loans; RIN 3133-AE84

I am writing on behalf of the members of the Maryland & D.C. Credit Union Association regarding the National Credit Union Administration's proposed Payday Alternative Loans (PALs) rules. The Maryland & D.C. Credit Union Association represents 94 Credit Unions and their 2.2 million members. We thank you for taking the time to consider our comments.

Providing consumers with an alternative to high-risk short-term loans is necessary to the financial well-being of many of our communities. Accordingly, if credit unions have more flexibility in the varieties of PALs that they may offer, they can better serve the community. We would, however, caution against creating a product that is too complex and burdensome as to dissuade credit unions from participation. If credit unions are not willing to offer these new products due to their complexity, consumers may choose to use traditional payday lending products, perpetuating the current problem.

Maximum Loan Amounts and Maturities:

Increasing the maximum loan amount for PALs II loans from $1000 to $2000 would be beneficial, even if this would remove the loans exemption from the CFPB payday loan rule. Similarly, increasing the maximum loan term, even if this would remove the loans from exemption from the CFPB payday loan rule, would be beneficial to consumers and credit unions alike. This flexibility will help credit unions meet the needs of their members.

Membership requirements:

While it is not necessarily a "non-starter," most of our members think that keeping a modest membership requirement, such as the current one-month requirement, is prudent. It is important that our credit unions build a relationship with a member prior to initiating a loan to reduce the chance of default and to facilitate a transparent relationship.

8975 Guilford Road, Suite 190, Columbia, MD 21046 | P 410-290-6858 T 800-492-4206 F 410-290-7832 E info@mddccua.org | mddccua.org

Restriction on the Number of Loans in a Certain Time Period:

The question of whether to eliminate the provision creating a maximum number of loans permitted in a six-month period is a bit more complex and we commend the NCUA for undertaking this task. Many credit unions believe that the decision of how many PALs to offer to a consumer in a given time should be a decision made solely by the credit union. Those that support this thought highlight that credit unions and their members all have different needs and creating arbitrary "one-size fits all" barriers may ultimately be detrimental to some. We want to point out that our goal of ensuring that consumers are protected from ending up in a borrowing cycle that they cannot get break should remain a central focus.

PALs III

As alluded to in the opening statement, most of our members are happy with PALs I and while welcome the discussion for more flexibility whether it be in PALs II or PALs III etc., we caution against creating a system of rules that becomes too complex. We welcome more flexible options, but it may be beneficial to eventually try to condense these into a single product rather than multiple iterations.

We always appreciate the invitation to comment on regulations and to provide insight. We commend the NCUA on your continued commitment to offering consumer friendly loan products as an alternative to traditional, predatory, payday loans. We look forward to continued conversations and remain a committed partner.

Sincerely,

John Bratsakis
President/CEO MD|DC Credit Union Association