



June 27, 2016

The Honorable Richard Cordray  
Director  
Consumer Financial Protection Bureau  
1275 First Street, NE  
Washington, DC 20001

Dear Director Cordray:

On behalf of America's credit unions and community banks, and the many consumers to whom our members provide small dollar and other credit, The Credit Union National Association (CUNA) and the Independent Community Bankers of America (ICBA) are writing to express serious concerns about the Consumer Financial Protection Bureau's (the Bureau) recent proposed rule for Payday, Vehicle Title, and Certain High-Cost Installment Loans ("proposed rule"), which sweeps in many consumer-friendly products offered by our members.

While we believe predatory or abusive lending practices deserve increased scrutiny, credit unions and community banks have no history of bad behavior when offering small dollar loans. Quite the opposite, they often offer consumer-friendly short-term credit as a service to consumers. These consumers may have a one-time or unexpected need, such as a new car transmission, medical expense, or broken furnace. These loans are not one-size-fits-all; they are often tailored to meet the needs of a specific consumer.

In your remarks at the field hearing on the proposed rule in Kansas City, MO on June 2 you stated, "In particular, we are not intending to disrupt existing lending by community banks and credit unions that have found efficient and effective ways to make small-dollar loans to consumers that do not lead to debt traps or high rates of failure. Indeed, we want to encourage other lenders to follow their model."

We appreciate your recognition that our members offer small dollar loans in consumer-friendly ways, and that these products are often the best option for those in need of a small dollar loan. **However, the proposed rule, if finalized in its current form, would unquestionably disrupt lending by credit unions and community banks.** We believe the extremely complex and prescriptive nature of this more than 1300-page proposed rule and the compliance burdens resulting from it will lead community banks and credit unions to curtail or eliminate existing products and remove incentives to innovate or develop new consumer-friendly, short-term products and small dollar loans.

CUNA and ICBA plan to submit detailed comment letters outlining our specific concerns about how the proposed rule will limit credit availability from credit unions and community banks, however we wanted to immediately alert you about our broader concerns with the proposed rule.

## **The Underwriting and Other Requirements Are Unnecessarily Complex for Depository Institutions**

The proposed rule would make it an abusive and unfair practice for a lender to make a covered short-term or longer-term loan without determining upfront that the consumer will have the ability to repay the loan, in what the Bureau calls the “full-payment test.” The requirements outlined in the proposed rule, including the exceptions to the general rule, are extremely complex and prescriptive, and inconsistent with how credit unions and community banks that know their members and customers underwrite a loan that can be for a relatively small amount of money. Small dollar loans provided by credit unions and community banks do not fit into one specific category and subjecting them to a lengthy list of requirements would undoubtedly significantly reduce consumer options for these loan products.

The recognition by the Bureau of the need for consumer friendly products from depository institutions is a good first step and we truly appreciate the Bureau attempting to provide exceptions for those acting responsibly in the financial services marketplace. Nevertheless, these exceptions are overly complex and restrictive and need to be much broader in order to meaningfully achieve the goal of ensuring credit unions and community banks remain in this market.

If the Bureau’s intention is for depository institutions to serve more consumers in need of short term, small dollar loans, we believe the proposed rule not only falls short of that goal but will almost certainly cause credit unions and community banks offering short term, small dollar loans and similar programs like the PAL program to exit the marketplace.

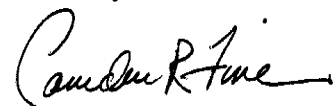
### **Consumers Will Lose Access to Credit Under the Proposed Rule**

As noted, we have very significant concerns that the proposed rule would harm consumers in need of small dollar loans and make it difficult for credit unions and community banks to serve those consumers. As you have acknowledged, credit unions and community banks are one of the best options for consumers in need of this credit. If credit unions and community banks are regulated out of this market, we are very concerned about the options consumers will be left with, which could include unregulated and unlicensed predatory lenders.

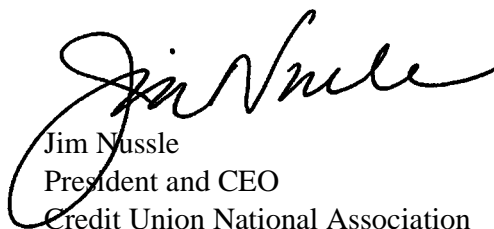
We are hopeful that you will continue to work closely with us over the next few months to create a regulatory environment that allows community banks and credit unions to meet the needs of more members and customers, and does not eliminate more affordable and safer options.

On behalf of America’s credit unions and community banks and the hundreds of millions of consumers they serve, thank you for your attention to these important concerns. We will reach out to your staff to discuss our concerns in greater detail in the near future.

Sincerely,



Camden R. Fine  
President and CEO  
Independent Community Bankers of America



Jim Nussle  
President and CEO  
Credit Union National Association