Maine Credit Union League

August 2, 2018

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

RE: Comments on Notice of Proposed Rulemaking (PAL II)

Dear Mr. Poliquin:

I am writing on behalf of the Maine Credit Union League, the trade association for Maine's 55 credit unions and nearly 700,000 members, to offer our comments on the proposed Payday Alternative Loans (PAL) II rule.

We appreciate NCUA's work on expanding the availability of credit unions to provide small-dollar, short-term loans. While we would not want the NCUA to pause their work, including with PAL II, we strongly encourage limiting unnecessary regulatory burden, both in existing and any future programs, associated with them. By giving credit unions additional options to offer small loans to their members, credit unions in Maine and across the country will be better positioned to help more consumers facing financial emergencies. But that can only happen if the compliance requirements are not prohibitive for credit unions to actually provide them.

Maine is a rural state with one of the oldest populations in the United States. Maine's credit unions have engaged in small dollar lending to help their members fill up their oil tanks, buy snow tires, or even to replace an identification card. In the past few years, however, we've seen an uptick of payday lenders trying to weaken our state laws to allow the industry to expand their reach and trap more Mainers in a cycle of debt. Credit unions want to fill that space and offer their members an affordable way to pay for life's necessities, even if it means that they do not reap any financial benefit from the loan.

While we strongly support expanded opportunities for credit unions to provide payday alternative loans, we have concerns about the compliance burdens that the PAL I and PAL II programs pose to credit unions. To increase the overall benefit to credit union members, NCUA should consider the barriers for credit union participation in the PAL programs and provide a cohesive singular rule that would allow credit unions to tailor their program to the needs of their membership.

If NCUA does not go down the path of a single rule that could be tailored for different credit unions, we would like to see more threshold alignment for small dollar lending between agencies with issue overlap. For instance, the thresholds for interest rates the PAL II proposed should be in line with the Department of Defense's Military Lending Act (MLA) ceiling of 36% APR. Credit unions are already expected to comply with numerous competing rules and regulations and new regulations should not add to that burden where possible.

We also recognize that asking for alignment between agencies is not easily done in every instance. For example, the Bureau of Consumer Financial Protection's payday lending rule addresses similar principles, but involves loans that are much higher risk than those proposed in PAL II. Here, complete alignment would not make sense because it could mean even more compliance burden on credit unions and even more barriers to the industry offering small-dollar, short-term loans.

If more consumers have access to money from a safe and trusted place at a fair and reasonable term, they will be less likely to pursue loans from predatory lenders. That's not only good news for consumers; it is good news for our credit unions. However, credit unions are under tremendous burden from regulations that disproportionately impact them as small financial institutions. We strongly support a single rule from NCUA that would provide a more cohesive and holistic approach to payday alternative loans and we urge the NCUA to continue its efforts to ensure that credit unions are exempt from duplicative small dollar lending rules imposed by non-NCUA entities.

Thank you for your time. Please feel free to reach out to me directly if I can provide you additional information.

Sincerely,

Todd C. M

Todd C. Mason
President/CEO