MAKING MAINSTREAM LENDING AVAILABLE AND ACCESSIBLE IN UNDERSERVED COMMUNITIES

Committee: Social and Economic Justice

Resolution: SEJ-17-04

1. WHEREAS, many consumers have occasions when ends don’t meet;

2. WHEREAS, according to a recently conducted survey from Bankrate.com, just 37% of Americans have enough savings to pay for a $500 or $1,000 emergency;

3. WHEREAS, according to the Pew Charitable Trust, payday lending usage is 57% higher for renters than for homeowners; 62% higher for those earning less than $40,000 annually; 82% higher for those with some college education or less; 103% higher for those who are separated or divorced; and 105% higher for African-Americans;

4. WHEREAS, NOBEL Women has always been committed to financial empowerment through improved access to mainstream credit as well as a marketplace that offers safe and affordable lending products and services; and

5. WHEREAS, not all loan types are equally safe and affordable, and the structure of certain loans significantly reduces the chances that a borrower will fall into a cycle of debt; and

6. WHEREAS, responsibly structured credit is an essential part of the wealth-building ecosystem that includes improving financial education, building a sound credit history, providing savings and a wise investment tool; and

7. WHEREAS, responsibly structured credit is essential to support a household’s ability to save, build a sound credit history, and facilitate crucial investments that can provide a...
19. foundation for other wealth-building activities; and

20. **WHEREAS**, the key structural qualities of closed end loans that are responsibly

21. structured, safe and affordable, are that lenders make a good faith effort to assess the

22. borrower’s ability to repay the loan and that the loan is repayable in substantially equal

23. installments with no balloon payments; and

24. **WHEREAS**, because these services are not readily available in all communities, NOBEL

25. Women encourages both public and private sector entities to work together to make these

26. services both available and accessible; and

27. **WHEREAS**, there are incentives that can be provided to increase the likelihood that

28. these services become available and accessible in every community; and

29. **WHEREAS**, commercial banks have not shown a willingness to make responsibly

30. structured loans to and within underserved and minority communities to any significant

31. extent, despite the passage of the Community Reinvestment Act; and

32. **WHEREAS**, banks have shown an inability to underwrite and make such loans

33. themselves in a way that protects the security of insured depositors; and

34. **WHEREAS**, minorities and poorer communities need access to safe and affordable

35. installment credit, which is reported to the credit bureaus, enabling consumers to

36. establish, reestablish or build their credit; and

37. **WHEREAS**, there being an inverse relationship between cost and rate, lower income

38. Americans need access to loans which are low cost rather than low rate; and

39. **WHEREAS**, financial regulators through Operation Choke Point have further

40. discouraged banks from financing the operations of community lenders who have stepped
41. in to provide responsibly structured low cost loans to lower income Americans; and
42. WHEREAS, banks have been misled into thinking that providing much needed services
43. to lower income Americans, regardless of rate or structure, far from being a positive,
44. valuable and highly commendable benefit to society, constitutes a potential for reputation
45. risk; and
46. WHEREAS, a central factor in financial inclusion for these communities is financial
47. education that moves consumers along the path from financial anxiety to financial
48. comfort and, ultimately, to financial freedom
49. THEREFORE, BE IT RESOLVED, that NOBEL Women supports small-dollar closed
50. end credit that offers access to mainstream financial services and tests consumers’ ability
51. to repay the loan, reports payment history to at least one of the three major credit
52. agencies and is repaid in substantially equal multiple installments at fixed intervals to
53. fulfill the consumer’s obligation; and
54. BE IT FURTHER RESOLVED, that NOBEL Women supports companies that offer
55. opportunities to partner with minority organizations that provide access points into
56. limited capital and minority communities and will make mainstream financial services
57. readily available and accessible in these communities; and
58. BE IT FURTHER RESOLVED, that NOBEL Women recommends to the financial
59. regulators of this country and to the Congress of the United States, that banks be allowed
60. and encouraged to earn their CRA credit indirectly by providing loans to eligible third
61. parties, which in turn and at their own risk will make safe and affordable installment
62. loans to lower income Americans in minority communities when ends don’t meet, and
that such loans be seen both by regulators and by the media as enhancing the reputation of both banks and third party lenders; and

BE IT FINALLY RESOLVED, that a copy of this resolution be transmitted to the President of the United States, Vice President of the United States, members of the United States House of Representatives and the United States Senate, and other federal and state government officials as appropriate.

Introduced by: Rep. Laura Hall