November 5, 2020

Ms. Tanya McInnis
Program Manager
Office of Certification, Compliance Monitoring and Evaluation
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Re: Community Development Financial Institutions Program—Certification Application; OMB Number: 1559–0028

Dear Ms. McInnis:

The American Financial Services Association (AFSA)[1] appreciates the opportunity to comment on the revised Community Development Financial Institutions (CDFI) certification application proposed by the CDFI Fund and the Treasury Department.

AFSA agrees with the CDFI Fund and the Treasury Department that CDFI applicants should engage in responsible financing practices. We strongly disagree, though, with how the application defines responsible financing practices. The application asks whether the applicant offers a loan product that exceeds a 36% Military Annual Percentage Rate (MAPR). Using a 36% MAPR as a measurement for whether a loan product is responsible, is flawed and will end up hurting consumers.

An MAPR rate cap is poor policy because it: (a) will reduce access to credit; (b) should not be used as the comparison tool; and (c) undermines the underlying purpose of the Truth in Lending Act (TILA). There are better ways to evaluate whether loan products are responsible.

I. CDFI Fund Policy Objectives and Certification Requirements for Responsible Financing Practices

In developing the revised policies and application, the CDFI Fund maintained five policy objectives:

1.) Continue to foster a diversity of CDFI types, activities, and geographies;
2.) Support the growth and reach of CDFIs, especially as it relates to their ability to innovate and take advantage of new technologies;
3.) Protect the CDFI brand;
4.) Minimize burden on CDFIs while improving data quality and collection methods; and

[1] Founded in 1916, AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including traditional installment loans, mortgages, direct and indirect vehicle financing, payment cards, and retail sales finance.

5.) Promote efficiency for CDFI Fund staff in rendering CDFI Certification determinations.

According to the Notice of Information Collection and Request for Public Comment (Notice), "The revised Certification policies and application attempt both to provide the flexibility necessary for CDFIs to grow and to serve the hardest to reach distressed communities, and to maintain the integrity of what it means to be a certified CDFI from a mission perspective."[2] AFSA appreciates that the CDFI Fund is working to preserve flexibility. Reaching distressed communities in a way that works for both consumers and financial institutions requires a flexible approach.

The Notice continues, "Given the CDFI Fund's limited resources to review an entity's products or services individually, the application asks entities a series of questions and/or attestations about their activities. The aim of these questions is to determine, to the extent possible, whether an entity—and the Financial Products and Financial Services it offers—adheres to a set of mission related principles."[3]

"To meet the CDFI Certification requirements for responsible financing practices," the Notice explains, "An entity should provide Financial Products and Financial Services in a way that does not harm consumers. Financial Products should be affordable and based upon a borrower's ability to repay. CDFIs should practice transparency, fair collections, and be in compliance with federal, state, and local laws and regulations."[4]

AFSA agrees completely. In fact, we have always believed that all financial products and services should be affordable, transparent, based upon a borrower's ability to repay, and in compliance with applicable regulations.

II. Responsible Financing Practices

While the CDFI Fund's requirement that applicants engage in responsible financing practices is correct, the way in which the CDFI Fund identifies which products are responsible is flawed.

To measure compliance with these five principles, the proposed application asks questions about the interest rate and other fees charged to borrowers. For the purposes of calculating the interest rate, the CDFI Fund requires that applicants use the methodology prescribed in 32 CFR § 232.4 of the Military Lending Act (referred to as the MAPR), regardless of whether the borrower is actually a member of the military or not. However, using the MAPR does not compare lending products in a direct, apples-to-apples comparison because the MAPR unnecessarily inserts the cost of products that vary greatly among providers, to what should be a cost of credit (or interest) discussion.

The clear way to achieve uniformity in evaluating the cost of credit (or interest) is to use the TILA definition of APR. That method has, for over 50 years, been the gold standard in comparing different lenders' costs of credit. APR considers only the true costs of the credit transaction. MAPR

[2] 85 Fed. Reg. 27,276 (May 7, 2020).
[3] 85 Fed. Reg. 27,277 (May 7, 2020).
[4] *Ibid.*

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throws into the calculation of APR an additional element: whatever a borrower chooses to purchase as "ancillary products" such as credit life insurance or credit involuntary unemployment insurance. Adding the cost of these products—which are anything but finance charges—to a calculation of the cost of credit is erroneous. It would be far better to use the gold standard: TILA APR.

The rationale provided in the Notice for using MAPR is that, "This methodology captures interest and other charges, including application fees and participation fees, sets a single standard for all Applicants, and ensures that Applicants do not have incentives to disguise their rates by not including certain fees in calculating the Annual Percentage Rate." This statement is simply untrue. Interest, application fees, and participation fees are included in the TILA APR without arbitrarily adding the cost of products voluntarily chosen by the consumer[5] that have no relationship to finance charges or interest—products that simply are not related to the cost of the credit. One would not add the cost of the refrigerator being purchased on credit to the MAPR, just as one should not add the cost of insurance.

According to the proposed application, if the applicant does offer loan products that exceed a 36% MAPR, the applicant will be required to respond to additional financing practices questions about the loan products. Depending on those answers, the application may be denied. Moreover, the CDFI Fund is considering whether certain practices that do not align with these principles should be considered disqualifying for the purposes of CDFI Certification.

Using a 36% MAPR as test to determine whether a loan product is responsible is an unsound approach, and will end up harming the very borrowers the CDFI Fund is intending to protect. Evaluating how responsible a financial product is using this metric is faulty and inadvisable because:

1.) Rate caps reduce access to credit;
2.) APR should be used as a comparison tool for comparable loan products; and
3.) "All-in" APRs, such as MAPR, undermine the TILA.

Below, we elaborate on each of those reasons and explain a better way to evaluate small-dollar loan products.

III. Rate Caps Reduce Access to Credit.

Discouraging institutions from lending above a 36% MAPR will reduce access to credit by the very borrowers CDFIs should be serving.

A recent Federal Reserve study entitled, *The Cost Structure of Consumer Finance Companies and Its Implications for Interest Rates: Evidence from the Federal Reserve Board's 2015 Survey of Finance Companies* found that a loan amount of $2,530 is necessary to **break even** at a 36% TILA

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[5] Note that if a voluntarily purchased product is not truly voluntary, then the cost of the product is added, as prescribed by TILA, to the cost of credit and is included in the TILA APR.

APR.[6] For a loan to be made **profitably** with a total cost of credit of 36%, the loan would have to be between $3,500 - $4,000.

"While larger loan amounts have much lower interest rates than smaller loan amounts," the study authors wrote, "Larger loans entail greater interest payments (finance charges) and a longer period of indebtedness. In addition, risky consumers may not qualify for larger loan amounts."[7] With substantial fixed costs, high interest rates are necessary to provide sufficient revenue to cover the costs of providing such loans.

Larger loans can be profitable because a lender gets a larger dollar return on a larger loan, even though the proportional return is the same. Lenders' costs to originate and service loans are fixed, so lenders need to make a certain amount on each loan in order to cover overhead including rent, utilities, computers and supplies, internet, paper, insurance, taxes (including taxes levied on the loan itself), salaries, employee benefits like health insurance, and rising compliance.

The authors concluded, "If small loan revenue is constrained by rate ceilings, only large loans will be provided. Consumers who need a small loan or only qualify for a small loan would not be served."[8]

If the CDFI Fund discourages lending by CDFIs above a 36% MAPR, borrowers will not be able to access small-dollar loans from CDFIs.

IV. APR Should be Used as a Comparison Tool

While imperfect with respect to smaller, shorter term loans, APR was created by Congress half a century ago to aid consumers in comparing products of like term and amount—such as the terms of two credit card offers, or the cost of two 30-year mortgages, or the cost of two installment loans from different lenders. But APR is a better measure of time than it is of true cost. It is a great comparison tool, but it can be an imperfect means of determining the "cost of a loan."

This sort of comparison gives rise to what some perceive to be sensationally high "APRs" for these smaller loans, which would make them illegal were rate caps to become law. This is in spite of the fact that this artificial figure is intended to be used for comparisons of like products and bears no relation to the *actual* cost of the loan.

In simplified terms, APR is just a mathematical tool that has value only as a comparator. The misuse of APR to compare different financial products will lead both consumers and policymakers to erroneous conclusions. For that reason, TILA requires that creditors disclose not only APR, but

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[6] Elliehausen, Gregory. *The Cost Structure of Consumer Finance Companies and Its Implications for Interest Rates: Evidence from the Federal Reserve Board's 2015 Survey of Finance Companies.* Federal Reserve FEDS Notes, Aug. 122020. Available at: https://www.federalreserve.gov/econres/notes/feds-notes/the-cost-structure-of-consumer-finance-companies-and-its-implications-for-interest-rates-20200812.htm.

[7] *Ibid.*

[8] *Ibid.*

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also Amount Financed (the size or quantity of the credit product), Finance Charge (the absolute dollar cost of the credit) and the Total of Payments (the cash flow that will be required to service the credit over its stated life). The only way to make a valid comparison, and thereby make an informed choice, when making a loan or obtaining products on credit is to look at all four of these elements and determine which credit proposal what product is right for the individual consumer and the consumer's unique circumstances.

Imagine what would happen if TILA-type disclosures were required to be disclosed as a measure of the cost of other financial transactions or everyday consumer items. The results would be alarming for sure, but as just with traditional installment loans, misleading as to true cost. Consider these common examples:

EXAMPLE A: **Converting coins using a supermarket change machine*** Amount in coins: $100 Fee: 8.9% Fee Calculated as APR: **3,248.5%**	**EXAMPLE B:** **Cost of a bounced check*** Amount of check: $100 NSF Fee: $30 NSF charge calculated as APR: **10,950%**
EXAMPLE C: **Using an out-of-network ATM*** Typical withdrawal: $40 Fee for out-of-network ATM use: $2.50 Fee calculated as APR: **2,281%**	**EXAMPLE D:** **Borrowing $100 from a friend and paying her back $101 the next day** Fee paid to friend: $1 Fee calculated as APR: **365%**
EXAMPLE E: **Parking Ticket (Meter Violation)*** Amount of Ticket: $25 Fee for late payment: $10 Fee calculated as APR: **14,600%**	**EXAMPLE F:** **IRS Late Fee (1%)*** Taxes Owed: $800 Fee for late payment: $8.00 Fee calculated as APR: **365%**

* *Note: Prices/fees provided are estimated. Calculations are based on an assumption of a one-day loan.*

It is also important to bear in mind the cost of making small loans. Often the underwriting that must take place to measure the borrower's ability to repay and protect lenders against default is similar to that required for much larger loans. It follows then that there is a minimum cost to lenders which must be recouped in order to make a profit. Installment lenders across the country are committed to keeping their loans affordable, safe and manageable. It is vital that the unhelpful—even nonsensical—attempts to impose APR caps must not be allowed to destroy business models that have safely and efficiently served customers in the United States for generations, since 1916.

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V. “All-in” APRs Undermine TILA

TILA was enacted to promote the informed use of consumer credit through clear and unequivocal disclosures relating to the terms and costs of credit. As mentioned above in Section IV, APR is a required disclosure of the cost of consumer credit under TILA.

APR is a defined and well-understood term that has been the gold standard for comparing like credit products for decades. It is a useful tool for comparing like credit transactions by setting a single standard to determine the cost of credit in each proposed transaction. It was not intended to be (and is useless as) a tool to measure credit transactions that also include voluntary protection products that the consumer may choose to purchase.

Because APR is valid only for comparing comparable credit transactions and relates ***only*** to the cost of the credit, APR has never been associated with the cost of goods, services, or insurance. This is why, in TILA, the cost of voluntary ancillary products like credit insurance are ***expressly excluded from the finance charge*** if the creditor provides the consumer with certain written disclosures, and hence, excluded from the APR.

The introduction of the MAPR undermines legislative intent in TILA because it includes the cost of products (*i.e.,* goods, services, or insurance) that are unrelated to the cost of credit, and which are not comparable from credit offering to credit offering. We emphasize, though, that even if voluntary protection products are not included in the APR calculation, they are still included in the lender’s ability-to-repay analysis.

For over 50 years, TILA has provided a standard of how to calculate APR, ensuring that all references to APR are consistent and require little interpretation. Until the MAPR, all creditors calculated APR the same way—the TILA way. This allowed consumers to draw conclusions as to the comparative costs of similar loan products. It also ensured consistency in disclosures relating to voluntary ancillary products. TILA benefits consumers by ensuring a single uniform disclosure of the cost of credit as well as any voluntary ancillary products.

MAPR obscures the true cost of credit by including voluntary protection products in the calculation. Five decades of jurisprudence and regulatory guidance have led to confidence in the term “APR”—what it means, what is included, and what is not included in its calculation. It is not useful to add the cost of voluntary products as a “cost of credit” by inclusion in APR.

The definition of **finance charge** in Reg Z, 1026.4(a) is:

> Definition. The finance charge is the cost of consumer credit as a dollar amount. It includes any charge payable directly or indirectly by the consumer **and imposed** directly or indirectly by the creditor as an incident to or a condition of the extension of credit. It does not include any charge of a type payable in a comparable cash transaction. (*emphasis added*.)

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Credit insurance, and other ancillary products, are usually voluntary. If purchasing the product is mandatory, then it must be included in the finance charge under TILA.

Clearly, under Reg. Z, ancillary product fees are *not* finance charges. Thomas A. Durkin, a former senior economist at the Federal Reserve, explained these concepts clearly:

> "First, if ancillary products are not required as part of the credit, then the fees for them are not payment for the credit granted and the fees economically are not finance charges. … Second, in 1968, Congress understood that debt protection that is not required is economically not part of the underlying credit and the fee for debt protection is not part of the finance charge. … Third, since debt protection fees are not finance charges economically, arbitrarily declaring them to be finance charges confounds the ability of consumers to shop effectively for credit costs, frustrating the basic purpose and intent of TILA in the first place. This is bad public policy."[9]

We add that Congress has spoken. TILA expressly excludes the cost of certain voluntary protection products from the cost of credit, as long as the products are not required to be purchased by the consumer.

Courts and regulators prohibit a creditor from advertising the cost of credit without expressing the APR, and they prohibit a creditor from giving the term any meaning different than the one it is assigned in TILA. Not only do courts and regulators prohibit a creditor from advertising an APR term that is calculated differently from how Regulation Z calculates the rate, they regard a creditor's use of an APR variant as a particularly pernicious TILA violation because such behavior undermines the universality of the term. In fact, some regulators have rejected arguments by payday lenders that an *Annual* Percentage Rate is an inappropriate metric for measuring the cost of a two-week loan, reasoning that APR is always the appropriate tool for measuring the cost of credit, no matter the loan product, because APR enjoys a single and universally-understood meaning.

Most recently, the Consumer Financial Protection Bureau (CFPB), the agency whose mission is the protection of consumers, decided against using an "all-in" APR as a metric. Former CFPB Director Richard Cordray considered using an "all-in" APR in the Bureau's proposed Payday, Vehicle Title, and Certain High-Cost Installment Loans rule (Payday Rule), but rejected the concept in the final rule.

The final Payday Rule stated, "… in view of the comments received, the Bureau concludes that the advantages of simplicity and consistency militate in favor of adopting an APR threshold as the measure of the cost of credit, which is widely accepted and built into many State laws, and which is the cost that will be disclosed to consumers under Regulation Z."[10]

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[9] Durkin, Thomas A., *Conceptual Difficulties with the "All In" Finance Charge and APR Proposal from the Consumer Financial Protection Bureau*. Consumer Finance Law Quarterly Report. Vol. 67, Nos. 1-2. p. 53.
[10] 82 Fed. Reg. 54,527 (Nov. 17, 2017).

It is concerning, therefore, that the Treasury Department proposes to use MAPR. That decision is clearly a public policy choice and is without data driven basis in fact. By using an APR variant and assigning a non-TILA meaning to the term, the Treasury Department would radically alter a longstanding and important consumer protection.

VI. A Better Way to Evaluate Small-dollar Loan Products

We suggest that the Treasury Department and CDFI Fund use the resolutions put forth by the National Black Caucus of State Legislators (NBCSL) and the National Hispanic Caucus of State Legislators (NHCSL) as a guide for how to evaluate safe and affordable lending practices. The resolutions are attached as an appendix and a summary is below.

Both resolutions state that, in 1998, the United Nations defined poverty as the lack of access to certain essential goods and services, including access to credit. They agree that there is a need for small-dollar credit in every community throughout the country. They also agree that not all loan types are equally safe and affordable, and the structure of certain loans significantly increases the likelihood of borrowers falling into a cycle of debt.

Both resolutions explain that 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 foundation for other wealth-building activities. The resolutions state that the key structural qualities of loans that are safe and affordable are that the lender: (a) makes a good faith efforts to assess the borrower's ability to repay the loan, and (b) that the loan is repayable in substantially equal installments of principal and interest, with no balloon payments.

Importantly, the resolutions emphasize that, "… it is the intention of this body to ensure access to loans that are low cost rather than low rate, since consumers buy goods with dollars and cents and not with annual percentage rates."

Beyond that, NHCSL resolved that:

- Lenders should support and observe all applicable state laws regarding collection practices;
- Lenders should make good faith attempts with borrowers to remedy a delinquent account;
- Any loan should be structured in such a way as to minimize the danger of that a borrower might fall into the cycle of debt;
- Lenders take care to explain to borrowers the terms of a possible loan transaction in as clear and transparent a manner as possible; and
- Lenders should be a vital part of the communities in which they operate and actively participate in community activities and charitable endeavors.

NBCSL also resolved that:

- All small-dollar, closed-end credit should be fully-amortized and repaid in substantially equal installments over at least an 120 day period;

- Small-dollar loans should not include balloon payments; and
- Lenders should report payment history to at least one of the three major credit bureaus;

Using those resolutions as guidelines, we suggest that the CDFI Fund ask applicants the following:

1) "Are all of your closed-end credit products fixed rate, fully-amortizing loans that are repaid in substantially equal monthly installments?"
2) "Do your loan products include transparent, easy-to understand terms, due dates, and payment amounts?"
3) "Do you evaluate each customer's ability to repay?"
4) "Do you report payment history to a credit bureau?"
5) "Do you *require* one-time balloon payments or the use of ACH?"

If the applicant answers "yes" to Questions #1 – 4 and "no" to Question 5, the lender should be deemed to offer responsible credit products.

VII. Conclusion

The CDFI Fund's goals are admirable. AFSA agrees that the CDFI Fund should foster diversity of types, activities and geography; support the growth and reach of CDFIs; protect the CDFI brand; minimize burden on CDFIs; and promote efficiency. We agree that in order to do that, CDFI applicants should engage in responsible lending practices.

The criteria for measuring whether an applicant is engaging in responsible lending practices should *not* be whether the applicant lends above a 36% MAPR, but: whether it offers transparent, fully-amortized loans that are repaid in substantially equal payments, whether it evaluates a borrower's ability to repay, whether it reports to a credit bureau, and whether it requires a balloon payment or the use of ACH.

We encourage the Treasury Department and CDFI Fund to amend its application to ask these questions.

Sincerely,

Celia Winslow
Senior Vice President
American Financial Services Association

APPENDIX

Resolution BED-16-21

A RESOLUTION PROMOTING SAFE AND AFFORDABLE LENDING PRACTICES[11]

WHEREAS, the National Black Caucus of State Legislators (NBCSL) has always been committed to financial empowerment through improved access to capital as well as a marketplace that offers safe and affordable lending products and services;

WHEREAS, in 1998, the United Nations defined poverty as the lack of access to certain essential goods and services, including access to credit;

WHEREAS, the need for small-dollar closed end credit exists in every community throughout the country;

WHEREAS, not all loan types are equally safe and affordable, and the structure of certain loans significantly increases the likelihood of borrowers falling into a cycle of debt;

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 foundation for other wealth-building activities;

WHEREAS, the key structural qualities of closed end loans that are safe and affordable are that the lender makes a good faith effort to assess the borrower's ability to repay the loan and that the loan is repayable in substantially equal installments, with no balloon payments;

WHEREAS, it is the intention of this body to ensure access to loans that are low cost rather than low rate, since consumers buy goods with dollars and cents and not with annual percentage rates;

WHEREAS, NBCSL passed Resolution BFI-13-14, "PROMOTING SAFE AND AFFORDABLE LENDING PRACTICES," among the 2013 Ratified Resolutions and that resolution promotes adequate safeguards to protect the general community from abusive financial services;

WHEREAS, this resolution maintains that responsibly structured credit is an essential part of the wealth-building ecosystem, that includes building a sound credit history, as well as saving and wise investment;

WHEREAS, all small-dollar closed end credit should be "fully amortized," meaning that the Total of Payments defined under the Federal Truth in Lending Act, is repaid in substantially equal multiple installments at fixed intervals to fulfill the consumer's obligation;

WHEREAS, small-dollar closed end credit, when used prudently by consumers, may help establish, re-establish or improve credit scores;

WHEREAS, all small-dollar closed end credit should be reported to at least one of the three major credit agencies: Equifax, Experian and TransUnion;

WHEREAS, all small-dollar closed end credit should provide that the Total of Payments as defined in the Truth in Lending Act be repaid over at least a 120 day period in substantially equal payments; and

[11] Available at: https://nbcsl.org/public-policy/docs/file/56-resolution-bed-16-21.html.

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WHEREAS, Traditional Installment Loan Lenders offering amortizing small-dollar closed end credit, may prevent cycle of debt issues inherent with non-amortizing balloon payment loans.

THEREFORE, BE IT RESOLVED, that the NBCSL supports small-dollar closed end credit in the form of traditional installment loans;

BE IT FURTHER RESOLVED, that Traditional Installment Loan Lenders should be reasonably protected;

BE IT FURTHER RESOLVED, that the NBCSL supports the expansion of Traditional Installment Loans as an affordable means for borrowers to establish and secure small dollar closed end credit while preventing cycle of debt issues inherent with non-amortizing balloon payment loans; 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.

SPONSOR: Representative Karla May (MO)
Committee of Jurisdiction: Business and Economic Development Policy Committee
Certified by Committee Co-Chairs: Senator Jeffery Hayden (MN) and Representative Angela Williams (CO)
Ratified in Plenary Session: Ratification Date is December 4, 2015
Ratification is certified by: Senator Catherine Pugh (MD), President

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2013-10
Promoting Safe and Affordable Lending Practices[12]

SENATOR LETICIA VAN DE PUTTE (TX) LAW & CRIMINAL JUSTICE TASK FORCE

WHEREAS, the National Hispanic Caucus of State Legislators (NHCSL) has always been committed to financial empowerment through improved access to capital as well as a marketplace that offers safe and affordable lending products and services;

WHEREAS, in 1998, the United Nations defined poverty as the lack of access to certain essential goods and services, including access to credit;

WHEREAS, the need for small-dollar credit exists in every community throughout the country;

WHEREAS, not all loan types are equally safe and affordable, and the structure of certain loans significantly increases the likelihood of borrowers falling into a cycle of debt;
WHEREAS, responsibly structured credit is essential to support a household's ability to save, build a

[12] Available at: https://nhcsl.org/resources/resolutions/2013/2013-10/.

sound credit history, and facilitate crucial investments that can provide a foundation for other wealth-building activities;

WHEREAS, the key structural qualities of loans that are safe and affordable are that the lender makes a good faith efforts to assess the borrower's ability to repay the loan and that the loan is repayable in substantially equal installments of principal and interest, with no balloon payments;

WHEREAS, it is the intention of this body to ensure access to loans that are low cost rather than low rate, since consumers buy goods with dollars and cents and not with annual percentage rates;

WHEREAS, government subsidized loans do not exist in meaningful numbers and whenever they do exist, their availability is only temporary, and so loan products must be available at commercially sustainable rates;

WHEREAS, it is important that safe and affordable small-dollar loans be made from offices located within communities and licensed and audited by state authorities to protect from predatory lenders and lending practices.

THEREFORE BE IT RESOLVED, that the National Hispanic Caucus of State Legislators (NHCSL) supports the development of lending products that encourage responsible underwriting, and attempts to assess a borrower's stability, ability, and willingness to repay the loan;

BE IT FURTHER RESOLVED, that NHCSL encourages policymakers to take the following into account:
That lenders should support and observe all applicable state laws regarding collection practices and that they should make good faith attempts with borrowers to remedy a delinquent account;
That any loan should be structured in such a way as to minimize the danger of that a borrower might fall into the cycle of debt;
That lenders take care to explain to borrowers, the terms of a possible loan transaction in as clear and transparent a manner as possible;
That lenders should be a vital part of the communities in which they operate and actively participate in community activities and charitable endeavors;
That lenders should support and participate in financial literacy programs by contributing financially to organizations that offer these services to borrowers; and
That lenders, non-profit organizations, and government entities should work together to improve financial literacy;

BE IT FURTHER RESOLVED, that the NHCSL supports efforts to protect consumers who need short-term loans; 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.

THIS RESOLUTION WAS ADOPTED ON JULY 13, 2013, AT THE NHCSL EXECUTIVE COMMITTEE MEETING HELD IN MASHANTUCKET, CONNECTICUT AND RATIFIED ON NOVEMBER 16, 2013 AT THE NHCSL ANNUAL MEETING HELD IN ORLANDO, FLORIDA.

SPONSORED BY: Senator Leticia Van De Putte (TX)
CO-SPONSOR: Senator Juan Pichardo (RI)
CO-SPONSOR: Iris Y. Martinez (IL)