

December 20, 2021

The Honorable Janet Yellen
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Wally Adeyemo
Deputy Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen and Deputy Secretary Adeyemo:

On behalf of the American Financial Services Association (AFSA),¹ I write to express our support for creating a Presidential Commission for Financial Inclusion at the Department of the Treasury as proposed by Senators Christopher Coons, Raphael Warnock, and John Hickenlooper in their November 10, 2021, letter to the Treasury.²

For over 100 years AFSA and its member companies have helped to increase access to equitable financial services and legitimate, fair credit products for millions of lower- and middle-income families, including underserved populations. Our member companies fill an important role in providing credit to hard-working Americans of all economic backgrounds, including in both urban and rural areas, to help meet their everyday needs, whether for planned or unexpected emergency expenses.

Today, nearly a third of U.S. consumers have subprime credit;³ five percent of U.S. households (approximately 7.1 million households) are unbanked.⁴ Additionally, far too many Americans – 63% – have been living paycheck to paycheck,⁵ and we are all familiar with the fact that one-fourth of adults have trouble paying monthly bills or are one \$400-financial-setback away from being unable from further economic disruption.⁶ We hope you concur that these Americans shouldn't be left out of the financial system.

Every family has a unique financial situation and should have the ability to find the most affordable and transparent financial service most suited to address their family's needs. Prior to the pandemic, an estimated 60% of households had experienced a financial shock in the past 12 months.⁷ While the wealthy are able to use savings, unfortunately too many Americans find themselves needing access to responsible credit products when they encounter a financial shock.

AFSA encourages the Treasury to initiate this Commission for Financial Inclusion and strongly believes that this commission should highlight the importance of maintaining access in the marketplace to high-quality, small-dollar loan products, such as traditional installment loans. At AFSA we define a traditional installment loan as a fixed-rate, fully amortizing loan repaid in equal monthly payments or installments. These products are state-licensed, affordable loan options that are available to many consumers, not just

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 direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance.

² [Senator Coons, Warnock, and Hickenlooper letter to Dept. of the Treasury](#) (November 10, 2021)

³ Experian, [Fewer Subprime Consumers Across U.S. in 2021](#) (2021)

⁴ FDIC, [How America Banks: Household Use of Banking and Financial Services](#) (2019)

⁵ CNBC, [63% of Americans have been living paycheck to paycheck since Covid hit](#) (December 2020)

⁶ Federal Reserve, [Report on the Economic Well-Being of U.S. Households in 2020 - May 2021](#) (May 2021)

⁷ The Pew Charitable Trusts, [How Do Families Cope With Financial Shocks?](#) (2015)

those with perfect credit histories. Installment loans are used by millions of hard-working Americans each year and can provide a lifeline to those facing a financial shock or as an opportunity for consumers to improve their credit standing.

Research has shown that approximately 85% of installment loans have monthly payments made up of 5% or less of a borrower's monthly income, and the payments are structured to create a pathway out of debt.⁸ With an average traditional installment loan duration of 15 months, consumers have a reasonable opportunity to repay their loan in a suitable period without being trapped in an endless cycle of debt.

As you examine the issues that ensure responsible financial access, we note several proposals, both at the national and state level, that drastically curtail access to small-dollar credit products for many Americans, including extending the Military Lending Act's "all-in" 36-percent Annual Percentage Rate (APR) cap to all consumers. This policy would have a disastrous effect on the ability of companies to offer responsible credit products. There is a great deal of evidence, including a Federal Reserve report published last year on small-dollar loans, that confirms the downsides of an across-the-board 36-percent APR rate cap.⁹ Among its findings, the report concluded that consumers would be forced to borrow a higher amount than they need or want, resulting in consumers having to deal with higher finance charges, longer repayment periods, and higher overall costs, despite the appearance of a lower APR on their billing statement.

All consumers deserve access to safe and reliable credit. As you work to set up this Commission, I hope you will include community businesses that provide essential financial services for their customers, including traditional installment loan companies.

We appreciate your time and willingness to consider such a proposal by Congress to form a Presidential Commission in conjunction with the private sector to help address the financial needs of Americans.

We look forward to working with you and would eagerly appreciate an opportunity to discuss this important issue with you in the future. You may contact me at 202-466-8616 or bhimpler@afsamail.org with any questions.

Sincerely,



President and CEO
American Financial Services Association

cc: Senator Christopher Coons
Senator Raphael Warnock
Senator John Hickenlooper

⁸ The Pew Charitable Trusts, [State Laws Put Installment Loan Borrowers at Risk](#) (2018)

⁹ Board of Governor of the Federal Reserve, [The Cost Structure of Consumer Finance Companies and Its Implications for Interest Rates](#) (August 2020)