

# BUSINESS, FINANCIAL SERVICES, AND INSURANCE

## Resolution BFI-13-14

### PROMOTING SAFE AND AFFORDABLE LENDING PRACTICES

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 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 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 Black Caucus of State Legislators (NBCSL) 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 NBCSL encourages policymakers to take the following into account:

- ▶ that lenders should examine factors like a borrower's credit bureau reports, the availability of monthly income for debt service, the length of time the consumer has been gainfully employed, and the amount of the borrowers' debt compared to assets and income as a condition for making a loan;
- ▶ 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;

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- ▶ 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 NBCSL 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.

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**SPONSOR:** Representative Larry Miller (TN)

**Committee of Jurisdiction:** Business, Financial Services, and Insurance Policy Committee

**Certified by Committee Chair:** Senator Catherine Pugh (MD)

**Ratified in Plenary Session:** Ratification Date is December 7, 2012

**Ratification is certified by:** Representative Barbara W. Ballard (KS), President