January 18, 2019
Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, DC 20429

Re: Small-Dollar Lending, Request for Information, RIN 3064–ZA04

Dear Executive Secretary Feldman:

On behalf of the Invest in Women Entrepreneurs Initiative, I am submitting these comments in response to the FDIC's request for information on small dollar lending. Our organization is deeply concerned about the debt trap that high-cost small dollar loans create and the harms that they cause. Lower income women trying to grow their businesses are particularly vulnerable to these loan products, due to the fact that they are not bankable and may not have a microloan program available in their community. High cost consumer installment loans are often the only resource they can obtain.

We share the FDIC's goal of greater financial inclusion for low-income consumers and communities of color. We also know too well the harm that unaffordable, high-cost loans cause these communities. And we know that state interest rate limits are the most critical protection against predatory small dollar loans.

Thus, any bank product must carry critical safeguards. First, the FDIC must not sanction "rent-a-bank" schemes, where non-bank lenders partner with banks to facilitate high-rate loans that would otherwise be illegal. These schemes pose an existential threat to state law and promise to cause severe harm to our nation's most financially distressed consumers.

Second, the FDIC must require that any bank product be (i) affordable and (ii) reasonably priced:

(i) To ensure loans are affordable, the bank must consider the customer's income and expenses before making the loan. Relying on income-only standards like a "payment-to-income" ratio is *not* ability-to-repay, and it will result in widespread unaffordable lending.

(ii) On pricing, a 36% interest rate limit is already the law of the land for military service members, it has been upheld by the FDIC for over a decade, and it is the state interest rate cap in many states. Erosion of this standard--like by (OCC-supervised) US Bank's "Simple Loan" product at 70% APR--will harm the consumers the FDIC most aims to help.

Finally, the FDIC must retain its 2013 guidance against unaffordable bank “deposit advance” loans. The evidence overwhelmingly shows that these were debt-trap payday loans that piled onto bank customers’ existing unsustainable debt load. FDIC-supervised banks never made these loans, and for the Agency to encourage them now would be reckless.

We urge the FDIC to encourage credit builder products and secured credit cards, and to take all needed to steps to root out abusive overdraft fees. These initiatives would go a long way toward increasing economic inclusion among our nation’s financially vulnerable.

Thank you for your consideration of our comments.

Sincerely,

Claudia Viek
Founder/Catalyst