

Reference: RIN 3064-ZA04

January 22, 2019

comments@fdic.gov

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th St NW
Washington, D.C. 20429

RE: Ohioans for Payday Loan Reform Comments on FDIC Small-Dollar Lending RFI RIN 3064-ZA04

Dear Executive Secretary Feldman,

As proud supporters of the Ohio Fairness in Lending Act, the undersigned urge the FDIC to carry forward lessons from Ohio's bipartisan reform to encourage safe, affordable small-dollar credit from banks.

In July of last year, Ohio passed landmark rules to prevent harmful payday and auto title loan debt traps while maintaining widespread access to credit. The Ohio Fairness in Lending Act balances the interests of borrowers and lenders, ensuring that licensed nonbank providers can profitably and directly offer loans in Ohio on terms that are affordable, fair and sustainable. The law will save Ohio consumers \$75 million each year and enable responsible lenders to compete with transparent products. The FDIC should set similar, clear guidance so that more banks can compete on a level playing field.

Throughout the policy discussions in the Ohio legislature, a clear consensus from consumer advocates, business leaders, responsible lenders and legislators of every political perspective emerged that it is both reasonable to prevent harmful, unaffordable loans, and it is beneficial to enable lower-cost alternatives for consumers who are struggling to make ends meet. Using Ohio's law as a model, the FDIC should ensure that all small loans include basic safeguards including:

- **Adequate time to repay:** Borrowers need more than two weeks to repay. Ohio encourages loans due back in more than 90 days.
- **Affordable payments:** Ohio law prevents short-term loans with unaffordable payments by shielding 94% of a borrower's gross monthly income. In addition to conducting automated underwriting, bank loans should have an affordability safeguard that limits payments to five percent of a borrower's paycheck.
- **Reasonable prices:** Ohio law authorizes a pricing structure that aligns the interests of lenders and borrowers, while maintaining widespread access to credit from nonbank lenders: 28% annual interest and a maximum monthly fee of 10% capped at \$30. Banks and credit unions can sustainably offer loans at even lower prices. \$36 for a three-month, \$300 loan, as US Bank has begun doing, is fair pricing for consumers and viable for banks.
- **Pathway out of debt:** Ohio requires equal payments consisting of principal, interest, and fees combined, plus a reasonable amount of time to repay depending on loan size and borrowers'

income; this puts borrowers in control by allowing them to prepay at any time without penalty and receive a pro-rated refund of assessed charges.

- **Protection from overdraft:** Ohio protects borrowers’ checking accounts against harmful collections practices and penalty overdraft fees which drive struggling consumers out of the banking system; small loans from banks should never trigger overdraft fees.

In addition, the FDIC should:

- **Prevent return of high-cost, balloon-payment Deposit Advances:** The FDIC should not allow banks to return to making “Deposit Advance” loans that are due back on the customer’s next payday. Deposit Advance featured unaffordable balloon payments and excessive prices with APRs of 200-300%.
- **Stop rent-a-charter deals with payday lenders:** The FDIC should strongly discourage supervised institutions from partnering with high-cost non-bank lenders to evade state-level consumer protections. These arrangements let payday lenders avoid state laws by having a bank originate loans, while payday lenders rely on their ability to collect unaffordable payments from borrowers’ checking accounts at APRs of 300-500 percent. Ohio’s law was careful to prevent third-party lenders and brokers from partnering to circumvent state law and the FDIC must also ensure that high-cost lenders cannot game state law.

Cost of borrowing...	Typical loan in Ohio before Reform	Ohio Fairness in Lending Act (enables widespread access to credit from nonbank lenders)	Sustainable Small Bank Loan
\$400 for 3 months	\$367	\$109	\$48-60

If the FDIC guarantees these simple safeguards, and lower-cost loans are able to thrive inside of banks, consumers in Ohio and across the country will benefit from safer, lower-cost options at half the price of Ohio’s nonbank loans. Consumers, who are poised to save \$75 million each year as a result of payday loan reform in Ohio, will benefit even further and communities will be stronger as a result. Thank you for your consideration. If you have any questions please contact Nate Coffman of the Ohio CDC Association at ncoffman@ohiocdc.org or 614-461-6392 x 207.

Sincerely,
 Ohioans for Payday Loan Reform
 Adams Brown Community Action Partnership
 Akron Leadership Foundation

Ashtabula City
Asian Services in Action Inc.
Austinburg Township
Church of Our Saviour/La Iglesia de Nuestro Salvador
Victor Pallotta, Clergy, Cuyahoga Falls
Coalition on Homelessness and Housing in Ohio
Community Action Commission of Fayette County
Corporation for Ohio Appalachian Development
Cuyahoga Falls City Council
Dayton Minority Business Assistance Center
East Akron Neighborhood Development Corp.
Employee Loan Solutions, LLC/TrueConnect
Fairfax Renaissance Development Corporation
Famicos Foundation
Family Promise of Lima-Allen County
First Christian Church (Disciples of Christ)
Freedom from Dieting
Greater Cincinnati Microenterprise Initiative (GCMI)
Greater Dayton Premier Management
Hocking, Athens, Perry Community Action Partnership
HFLA of Northeast Ohio
Home Is The Foundation
Home Repair Resource Center
Homeport
IMPACT Community Action
Infinitaire Industries
Kamm's Corners Development Corp.
Legal Aid Society of Southwest Ohio, LLC
Meigs County Commissioners
Miami Valley Community Action Partnership
Neighborhood Housing Partnership of Greater Springfield
NeighborWorks Collaborative of Ohio
National NeighborWorks Association
Ohio Association of Community Action Agencies
Ohio CDC Association
Ohio Urban Resource Systems (OURS)
Parsons Avenue Redevelopment Corporation
Regionomics
THE ABCD, INC
Trumbull Neighborhood Partnership
Union Miles Development Corporation
Woodland Christian Church (Disciples of Christ)

Yellow Springs Home, Inc.
Youngstown Neighborhood Development Corporation