

April 30, 2021

Ms. Melane Conyers-Ausbrooks  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

*Submitted electronically via regulations.gov*

**Re: Comments Opposing Proposed Rule: Credit Union Service Organizations (CUSOs), RIN 3133-AE95**

The undersigned consumer, civil rights, and community organizations write to oppose the National Credit Union Administration (NCUA or the Board)'s proposal to expand the activities in which credit union service organizations (CUSOs) are permitted to engage. This proposal will authorize predatory lending by credit unions, hampering household security at a time when greater security is badly needed. It will also increase racial discrimination, as families of color are disproportionately targeted with these harmful loans.

Federal credit unions are bound by an interest rate limit determined under the Federal Credit Union Act, currently 18 percent. Unlike federally insured credit unions, credit union service organizations (CUSOs) are not subject to direct NCUA supervision. In years past, some credit unions have used CUSOs in order to engage in payday lending at the astronomically high interest rates typical of payday loans. NCUA took steps between 2009 and 2013 to largely end that rogue activity. But this proposal would explicitly allow CUSOs to engage in small dollar, installment, and auto lending that is not subject to interest rate limits -- and even permit a federal credit union to wholly own and profit from a CUSO engaged in activity that is prohibited for the credit union itself.

Meaningful interest rate limits are an essential component of responsible lending because they align lender incentives with borrower incentives by making it more difficult for a lender to succeed despite high defaults; they enable borrowers to make progress on paying down principal; and they make the overall loan cost reasonable for the borrower.

Over the last year, the Board has elevated its commitment to racial equity and inclusion. When Board Member Hood served as Chairman, he stated that "perhaps the most important [thing] is doing everything we can to embrace the strengths of diversity, equity, and inclusion — and in particular, encourage greater financial inclusion for all."<sup>1</sup> Chairman Harper recently stated that equity and inclusion will be guiding priorities in NCUA decisions addressing current economic and marketplace realities.<sup>2</sup>

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<sup>1</sup> <https://www.ncua.gov/newsroom/speech/2020/ncua-chairman-rodney-e-hoods-remarks-world-council-credit-unionscredit-union-national-association>.

<sup>2</sup> <https://www.ncua.gov/newsroom/press-release/2021/chairman-harper-focus-diversity-equity-inclusion-and-social-justice>

This proposal is squarely at odds with these commitments. Some credit unions will exploit this rule to enable high-cost, unaffordable loans, which disproportionately harm communities of color and only exacerbate financial *exclusion*.

This rule is also entirely unnecessary to achieve the Board's stated goals. CUSOs are already able to facilitate credit unions' collective investment in technology, and other forms of cost-sharing efficiencies, without having their lending powers broadened.

We urge the Board to abandon this proposal.

Sincerely,

**Alaska PIRG**  
**Americans for Financial Reform Education Fund**  
**Arkansans Against Abusive Payday Lending**  
**Center for Digital Democracy**  
**Center for Economic Integrity (AZ)**  
**Center for Responsible Lending**  
**COHHIO**  
**Consumer Action**  
**Consumer Federation of America**  
**Consumers for Auto Reliability and Safety**  
**Georgia Watch**  
**Hope Policy Institute (MS)**  
**National Association of Consumer Advocates**  
**National Consumer Law Center (on behalf of its low income clients)**  
**New Economy Project (NY)**  
**Public Good Law Center**  
**Public Citizen**  
**RAISE Texas**  
**SPLC Action Fund**  
**Texas Appleseed**  
**Tzedek DC**  
**U.S. PIRG**  
**Virginia Citizens Consumer Council**  
**Wildfire: Igniting Community Action to End Poverty in Arizona**  
**Woodstock Institute**