

Credit Union Payday Lending Down But Not Out *NCUA Asked to Address Triple-Digit Payday Loans*

(WASHINGTON, DC) Triple-digit payday loans are still being offered by a few credit unions, including some federal credit unions that have an 18% usury cap, according to a new issue brief issued by the National Consumer Law Center (NCLC). In a letter sent today, advocates called on the National Credit Union Administration (NCUA) to stop triple-digit payday lending by credit unions that puts consumers into a cycle of debt.

“Most credit unions are working to get their members out of payday loans, not to put their members into them,” said Lauren Saunders, managing attorney of NCLC’s Washington, DC Office. “We are pleased that 52 of the 58 credit unions that were making triple-digit payday loans in 2010 are now out of that sordid business,” she said, “but nine federal credit unions, and some state credit unions, still offer dangerous short term loans at rates approaching 300%.”

The issue brief identifies nine federal credit unions in Alabama, California, Florida, Louisiana and Oregon that offer payday loans at annual rates, with fees included, of 141% to 269%. The largest of these is Kinecta Federal Credit Union in California, which offers loans at the stores of its Nix Check Cashing subsidiary. Federal credit unions are evading their 18% legal usury cap by manipulating the APR, using third parties to make the loans, or flying under the radar of enforcement.

Last month, all four federal bank regulators acted to address payday lending by financial institutions. “Some credit union payday loans have the same hallmarks of predatory lending as bank and traditional payday loans,” Saunders explained. In 2001, NCUA warned credit unions that payday loans “can result in offensive lending practices.” “NCUA has worked to encourage credit unions to make affordable small dollar loans and to stop the very few that make loans that can put borrowers into a debt trap;” Saunders said, “now the agency needs to finish the job.”

For more information:

[Issue Brief: Federal Credit Unions Offering Triple-Digit Payday Loans](#) (May 2013)

[Letter to NCUA](#) (May 16, 2013)

[Comments on affordable and unaffordable small dollar loans, filed with NCUA](#) (November 26, 2012)

NCLC’s 2010 report [Stopping the Payday Loan Trap: Alternatives that Work, Ones that Don’t](#), included dozens of payday alternatives, good and bad.

NCLC’s extensive body of work around payday lending can be found at <http://www.nclc.org/issues/payday-loans.html>.

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