

New Hampshire Credit Unions



Creating Cooperative Power

**COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS
PUBLIC HEARING
JANUARY 16, 2020**

**STATEMENT IN OPPOSITION
HB 1419**

**AN ACT RELATIVE TO NEW HAMPSHIRE BANKS OFFERING SMALL DOLLAR
LOANS AND CREDIT BUILDING PRODUCTS**

The Cooperative Credit Union Association, Inc. (“Association”) is the state credit union trade association, serving 14 federally and state-chartered credit unions that are cooperatively owned by 713,000 consumers as members. On behalf of the New Hampshire credit union movement, the Association opposes HB 1419, *An Act Relative to New Hampshire Banks Offering Small Dollar Loans and Credit Building Products*.

As not-for-profit financial cooperatives whose charter and mission is to accumulate and invest the savings of its members and make loans to members for provident purposes,¹ New Hampshire credit unions are intimately familiar with banking products designed to help members build credit, plan, spend, and save wisely, and reach their financial goals. In fact, New Hampshire holds the distinction of being the home of the first credit union in the country, established to help the newly arriving immigrant working population save and borrow money to achieve a better quality of life. Those savings were then turned around and lent to members to build homes, establish local businesses, and meet the financial needs of the community. As such, providing access to small dollar credit on safe and affordable terms is the very backbone of what credit unions in the Granite State were created and continue to do.²

Small dollar loans remain a part of credit union lending as an alternative to predatory lenders, who offer risky products with high interest rates. It is the experience of credit unions that loan products with even a 26 percent APR interest rate, such as that contemplated by this legislation, are unnecessarily high, unsuited for the borrower the product is intended for, and ultimately, unhelpful to that borrower who often then remains in a cycle of unsafe borrowing.

¹ NH Rev Stat § 383-E:3-301 (2016).

² As further illustration, one state-chartered credit union member offers an “Early Pay Loan” to all members, new and existing, with different terms available. The member receives up to \$750, with a maximum term of five months, and an interest rate ranging from 8.74% to 17.89%. This credit union also offers share-secured loans as an option to help members build credit.

Additionally, federal credit unions are already regulated by NCUA in this area.³ The NCUA's regulation recognizes the need for alternative, short-term, small dollar loan products, which feature characteristics such as a \$2,000 maximum loan amount and maximum term of 12 months. All such loans are subject to the federal credit union interest rate cap of 18 percent. The NCUA Board recently expanded the rule to create an additional PALs product, further recognizing the effectiveness of such loans in creating opportunities for members and need for credit unions to occupy this space.

While the intent of the proposed legislation is to be applauded, the establishment of a statutory mandate to provide such products on all licensed financial institutions in the state is untenable. For credit unions, such a mandate is particularly duplicative and excessive, as the mandate imposed by the statute is already what credit unions exist to do. Additionally, current credit union offerings go well above and beyond the product terms provided for in the legislation.

The Association appreciates the opportunity to provide input to the Committee, and respectfully requests that the Committee reconsider advancement of HB 1419.

³ 12 CFR Part 701 Payday Alternative Loans Rule.