



August 2, 2021

Senator Sherrod Brown
Chairman
503 Hart Senate
Office Bldg.
Washington, DC 20510

Senator Pat Toomey
Ranking Member
455 Dirksen Senate
Office Building
Washington, DC 20510

Dear Senators Brown and Toomey,

I am writing you today to join with several of our members in encouraging Congress to act to extend the protections of the Military Lending Act to all consumers. The Military Lending Act established all-inclusive rate limits of 36% or less for loans made to members of the military and their families.

Inclusiv is a national network of 400 credit unions – member owned, regulated financial cooperatives – with a mission of helping low and moderate – income people and communities achieve financial independence through credit unions providing access to safe and affordable financial products and community development services. Expanding access to financially vulnerable or formerly excluded individuals – that is, those who may have no other alternative than predatory lenders – is at the heart of what Inclusiv credit unions do. Collectively, these credit unions are reaching more than 14 million American households with safe and responsible products and services designed to help borrowers to succeed with their credit needs and financial lives.

Consumer-led efforts at the state and federal level have worked to rein in the harms of the unsafe loans, from the 2006 passage of the 36% rate cap in the Military Lending Act to voter-enacted 36% rate caps in Nebraska, Colorado, South Dakota, and Montana in 2020, 2018, 2016, and 2010, respectively. Voters have affirmed rate caps at the ballot box in Arizona, Ohio, and Arkansas. State legislatures in Illinois and California have passed interest rate cap bills in 2021 and 2019, respectively. The benefits of rate caps are documented in a recent report about how borrowers are faring several years their enactment. Put simply, borrowers are better off. Since 2005, no new state has legalized payday lending. Despite payday lenders' claim to the contrary, states with rate caps do not experience higher rates of online lending than those with payday loans.

Consumers in states without payday lending restrictions suffer the brunt of predatory lending schemes. Inclusiv members are regularly reporting how challenging it is to work borrowers out of debt traps. These institutions are poised and already provide low-cost alternatives and supportive services like financial coaching and access to benefits. But too often, the financial quagmire of the payday loan debt



trap inhibits people's ability to take full advantage of these affordable products and services on the market. Consumers often only seek help after they have paid multiples to the payday lender of what they initially borrowed. This will be addition to bearing the burdens of other harms caused by unaffordable high-cost loans, such as difficulty paying other bills, the psychological stress caused by unaffordable debt, and the subsequent inability to build wealth in the future.

Inclusiv members and other credit unions can meet those needs well within limits established for federally chartered credit unions. Inclusiv members have testified to Congress about the damage they see in their communities from the proliferation of payday lending and urged action at the state and federal level to rein in the damage of these harmful loans through enactment of rate caps. As such, Inclusiv stands in support of the Veterans and Consumers Protection Act.

We urge you to expand these protections already afforded to the military to the public at large. If you have any questions, please contact me at cmahon@inclusiv.org or Pablo DeFilippi, SVP of Membership and Network Engagement at pablo@inclusiv.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathleen A. Mahon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Cathleen A. Mahon
President and CEO