

BUSINESS AND ECONOMIC DEVELOPMENT (BED)

Resolution BED-22-49

SAFE AND AFFORDABLE LENDING PRACTICES TO AID CONSUMERS AND ESTABLISH CREDIT

WHEREAS, the National Black Caucus of State Legislators (NBCSL) has always been committed to financial empowerment through improved access to capital as well as a marketplace that offers safe and affordable lending products and services;

WHEREAS, in 1998, the United Nations defined poverty as the lack of access to certain essential goods and services, including access to credit;

WHEREAS, the need for small-dollar closed end credit exists in every community throughout the country;

WHEREAS, not all loan types are equally safe and affordable, and the structure of certain loans significantly increases the likelihood of borrowers falling into a cycle of debt;

WHEREAS, responsibly structured credit is essential to support a household's ability to save, build a sound credit history, and facilitate crucial investments that can provide a foundation for other wealth-building activities;

WHEREAS, the key structural qualities of closed end loans that are safe and affordable are that the lender makes a good faith effort to assess the borrower's ability to repay the loan and that the loan is repayable in substantially equal installments, with no balloon payments;

WHEREAS, it is the intention of this body to ensure access to loans that are low cost since consumers buy goods with dollars and cents and not with annual percentage rates;

WHEREAS, NBCSL passed Resolution BFI-13-14, "PROMOTING SAFE AND AFFORDABLE LENDING PRACTICES," among the 2013 Ratified Resolutions and that resolution promotes safeguards to protect the community from abusive financial services;

WHEREAS, responsibly structured credit is an essential part of the wealth-building ecosystem, that includes building a sound credit history, as well as saving and wise investment;

WHEREAS, all small-dollar closed end credit should be "fully amortized," meaning that the total of payments defined under the Federal Truth in Lending Act, is repaid in substantially equal multiple installments at fixed intervals to fulfill the consumer's obligation and such payments should not be excessively large where the consumer is unable to make the payments;

WHEREAS, small-dollar closed end credit, should be used prudently by consumers and lenders to help establish, re-establish, or improve credit scores and not create a never-ending cycle of debt;

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WHEREAS, all small-dollar closed end credit should be reported to at least one of the three major credit agencies: Equifax, Experian, and TransUnion;

WHEREAS, all small-dollar closed end credit should provide that the Total of Payments as defined in the Truth in Lending Act have a repayment period over at least a 120-days in substantially equal payments and fully disclosed to the customer; and

WHEREAS, Traditional Installment Loan Lenders offering amortizing small-dollar closed end credit, may prevent cycle of debt issues inherent with non-amortizing balloon payment loans.

THEREFORE BE IT RESOLVED, that the National Black Caucus of State Legislators (NBCSL) recognizes the role that small-dollar closed end credit in the form of traditional installment loans can play for consumers in certain circumstances;

BE IT FURTHER RESOLVED, that both Traditional Installment Loan Lenders and consumers should be reasonably protected and enter into agreements that are fair to both parties;

BE IT FURTHER RESOLVED, that the NBCSL believes that there is the role for the expansion of Traditional Installment Loans as an affordable means for borrowers to establish credit and secure small dollar closed end credit while preventing cycle of debt issues inherent with non-amortizing balloon payment loans; and

BE IT FINALLY RESOLVED, that a copy of this resolution be transmitted to the President of the United States, the Vice President of the United States, members of the United States House of Representatives and the United States Senate, and other federal and state government officials and agencies as appropriate.

SPONSOR(S): Representative Billy Mitchell (GA) and Representative Karen Camper (TN)
Committee of Jurisdiction: Business and Economic Development (BED) Policy Committee
Ratified in Plenary Session: December 2, 2021
Ratification certified by: Representative Billy Mitchell (GA), NBCSL President