



National Credit Union Administration

3

Office of the Chairman

April 12, 2000

The Honorable Edward M. Gramlich
Governor
Federal Reserve System
20th & C Streets, N.W.
Washington, D.C. 20551

Dear Governor Gramlich:

As you are well aware, Chairman Greenspan on March 22nd decried lenders who target "vulnerable segments of the population." He proclaimed it the duty of policymakers to fight such inequities in order that the economic boom will reach more people and he announced the existence of our interagency working group on predatory lending.

NCUA is cognizant that the draft policies of the Interagency Task Force on Predatory Lending are intended to apply to all persons who extend credit of any type. I applaud and support this broad approach and I believe we must make an effort to ensure that the task force's staff's efforts reflect that breadth.

The working group's efforts thus far have been, understandably, primarily focused on predatory mortgage lending. That is unquestionably an important part of the financial exploitation of vulnerable persons. Yet, it is by no means the only part or even perhaps the major part of that exploitation. I would, therefore, recommend that we strongly encourage the staff of our working group to intensify their focus on payday lending and other forms of predatory lending.

While abusive home equity and purchase price mortgage lending practices have recently caught our attention, abusive payday and other predatory lenders are preventing countless numbers of working people from accumulating the assets that might one day qualify them for homeownership. People whose only financial equity lies in their paycheck, their car, or a small savings or checking account are also being aggressively targeted by predatory lenders. Their plight should be of equal concern to our interagency working group.

The regulatory and political support for such an effort has been growing over the past several months as evidenced by the statements and actions of all of the federal financial regulators and by congressional activity such as the recent introduction of H.R. 3823 by Rep. John LaFalce and 16 co-sponsors. That bill would define and prohibit predatory

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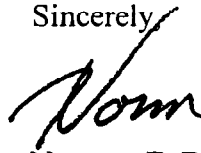
Page 2

payday lending. A second bill, H.R. 4250/S. 2415 by Rep. LaFalce and Senator Paul Sarbanes would restrict abusive predatory mortgage lending.

The interagency working group may be limited in its ability to thoroughly deal with predatory lending unrelated to mortgages, but it might be useful to fully explore the potential of statutory and regulatory approaches to doing so.

I stand ready to cooperate with you and the working group staff in any way that might be helpful.

Sincerely



Norman E. D'Amours
Chairman

NED:vas

cc: Working Group Member Agency Heads

Andrew M. Cuomo, Secretary of Housing & Urban Development
Armando Falcon, Director, Ofc. of Federal Housing Enterprise Oversight
John D. Hawke, Jr., Comptroller of the Currency
Bruce A. Morrison, Chairman, Federal Housing Finance Board
Robert Pitofsky, Chairman, Federal Trade Commission
Janet Reno, Attorney General, Department of Justice
Ellen S. Seidman, Director, Office of Thrift Supervision
Donna A. Tanoue, Chairman, Federal Deposit Insurance Corporation