February 2, 2007 VIA EMAIL

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429-9990

Re: *Nehemiah Community Reinvestment Fund, Inc.*
Comments on FDIC Guidance on Affordable Small-Dollar Credit Products

Dear Mr. Feldman:

Nehemiah Community Reinvestment Fund, Inc. (NCRF) writes to support the FDIC's Guidelines on Affordable Small-Dollar Credit Products, as these products are in high demand and too few such affordable small-dollar credit products are currently available to the consumers who need them most. Therefore, fringe financial services and products with excessive fees have instead filled the void. NCRF hopes that the Guidance will successfully encourage banks to offer affordable small-dollar loans, thereby, enabling Californians to build and maintain assets, and particularly serve the low-and moderate-income and communities of color.

The Payday industry continues to grow exponentially with nearly 25,000 outlets nationwide, 5,626 of which are in the state of California. Payday lenders are preying on the most vulnerable Californian. The most effective means to end predatory payday lending short of legislation is with increased market competition from multiple banks offering affordable small-dollar loans, which would compete with payday loans and diminish their demand.

Affordability and Pricing

The Guidelines appropriately encourage interest rates and fees that are not only affordable for consumers, but also reflect the associated risks of the respective small-dollar product. The encouraged interest rate of 36% APR or less for small-dollar loans is a fair proposal, which also is in accordance with the rate recently set by Congress for loans extended to military personnel and their dependents with the passage of the Talent-Nelson Amendment.

The most problematic feature of payday loans offered by fringe financial services are payments that include such excessive fees that they result in multiple renewals, thus resulting in the failure of reducing the outstanding balance of the loan. NCRF supports the recommendation that banks offer small-dollar loans with payment programs that result in a consistent reduction of the principal owed.

Capacity to Repay and Streamlined, Risk-Based Underwriting

Although the assessment of capacity to repay must be accurate, the small-dollar loan application process should also be equally accessible and expedient as the Guidelines suggest since institutions have the advantage of a pre-established relationship with the consumers who now rely on payday lenders for short-term, high cost credit. NCRF supports the assertion that customers with little or no credit history can still be conveniently and expediently be approved for an affordable small-dollar loan that they can repay.

Additional Safety Features

NCRF supports the other safe features of small loans included in the Guidelines, such as an affordable installment repayment schedule, no prepayment penalties, and the use of technology to efficiently and expediently extend credit and make payments convenient for consumers.

NCRF strongly urges the Agency to ensure that the savings component proposed in the Guidelines be adopted, as successful asset-building for the underserved is the only way to transition these same customers away from their reliance on high-cost credit.

In addition to the features described in the FDIC Guidelines, the success of these affordable small-dollar loan products also depends much on the appropriate amount and extent of resources used for the advertisement and attractive branding of such products to the appropriate customer base. Lastly, publicizing the accessibility and relevant disclosures must be in place in order to build consumer confidence in these products.

NCRF also strongly endorses the Agency's suggestion that financial institutions work with nonprofit agencies and organizations to provide financial education training on budget management, savings, and fiscal responsibility.

Ultimately, NCRF recognizes that disclosure and consumer education cannot defeat predatory lending practices. Continued FDIC guidance must be sufficiently robust to discourage misleading sales tactics and abusive small-dollar loan products. Furthermore, consistent regulatory guidance must be accompanied with stern enforcement action for lenders who inappropriately target vulnerable consumers with high-cost credit products.

In Conclusion

NCRF sincerely appreciates the FDIC's efforts to meet the needs of low- and moderate-income customers, the under-banked, and customers with little or no credit history with the development and adoption of affordable small-dollar loan products. We are confident that this can be accomplished with our continued vigilant efforts to ensure that banks meet their CRA obligations by offering much needed affordable alternative small-dollar loans, rather than supporting fringe financial services and products.

Thank you for the opportunity to comment on this proposal. If you have any questions about our recommendations, please feel free to contact me by phone at 916-231-5226 or by email at pjones@nehemiahcorp.org.

Respectfully,

Peggy Jones

Peggy Jones
Director