



Good morning Chairman Brown, Ranking Member Toomey and members of the committee. My name is Richard Williams, and I am the President/CEO of Essential Federal Credit Union. Essential is a federally chartered credit union with a community field of membership serving the metropolitan area of Baton Rouge, Louisiana. We serve 40,000 plus members and have assets in excess of \$350 million.

We are a certified community development financial institution (CDFI) certified by the United States Treasury Department and a Low Income Designated (LID) credit union by the National Credit Union Administration. We are also a proud member of Inclusiv. 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.

Today, I will share with you the harm we see high-cost loans cause in our communities, the role we play as a credit union in addressing these harms, and why our communities will benefit from the enactment of federal 36% interest rate cap as proposed by the Veterans and Consumers Fair Credit Act.

In 2019 we testified in support of House Bill 528 before the Louisiana House of Representatives to lower the maximum annual consumer loan interest to 36% (including fees and other charges). We were joined in our effort with support from a broad coalition of faith leaders, civil rights organizations, and social service providers. If the legislation had passed, Louisiana would have joined several other states in protecting its residents from harmful predatory loans.

We continue to believe that it possible and reasonable to offer small dollar loans under 36% as proposed by this bill because we do this. Our current payday alternative loan provides members easy access to funds to meet a variety of emergency needs at a rate significantly less than the rates of payday lenders and with the ability to offer our loan in compliance with the proposed bill. In addition to extending the loan, we also provide the member a financial literacy component to assist them in making

better financial decisions in their daily lives. We have found our program to be profitable and beneficial to our membership.

I would like to offer some testimonials from our members about our payday alternative loan product which is branded Ready Cash:

“The Ready Cash loan helped me by allowing me to utilize Essential instead of a finance company at much higher interest rates.” – Joseph C. Tilley

“The Ready Cash loan from Essential has helped me in more ways than one. It has provided the emergency funds to help me get back on track, as well as build my credit.” – Adrienne Hayes

“Having extended time to repay our Ready Cash loan back as compared to the shorter repayment window with the payday lender helped me get back on track sooner.” – Mellanee Nation

We hear from our members every day about the challenges they face in making ends meet. This means putting food on the table and paying recurring bills. They are experiencing financial distress that does not go away in two weeks and is certainly made harder when they are trapped in a payday loan that takes large payments every two weeks. Or by a car title lender which forces the borrower into even tougher situations of facing threats of having their car seized. These extractive loan mechanisms do not help people make progress in their journey to financial security; rather it's quite the opposite. Instead, what Essential is able to do with our small dollar loan, is not only to have it reasonably priced so that people can both pay it back and meet their other needs, but also build a relationship with us to build their credit and eventually have wealth building opportunities such as buying a car or a home.

States like Louisiana are grappling with the effects on their economies of predatory lenders, and successes in other states with a rate cap point a way forward. These lenders, many of whom are headquartered outside of our state, pump marketing dollars to convince Louisiana residents that they do not have other good alternatives. As I mentioned earlier, we joined with numerous voices across the state to urge Louisiana to enact a rate cap of 36%. Despite the outcry from Louisianans, all across the state to rein in the harms of these loans, the legislature refused to do so, and as such, high-cost lenders continue drain our economies and the pocketbooks of people already working to simply get by.

It is not just us here in Louisiana that share these concerns. They permeate throughout the South and other communities. For example, from our neighbors in Mississippi, we hear stories of how these high cost loans disrupt the lives of the borrowers, but also their families and communities. This includes a

mother whose car was repossessed by a car title lender, which in places like the rural South, results in the inability to get to work or to the store. Or an elderly woman on social security whose car title loan payments consumed nearly half of her \$1,300 monthly income. Or another stuck in 11 payday loans at a single time, causing tremendous anxiety and stress in addition to the financial strain. These stories could fill up pages, and underscore the need for a solution.

In conclusion, we join with other CDFIs and credit unions in supporting a national interest rate cap. Additionally, there are many community development credit unions ready to meet the small dollar borrowing needs of the consumer. I would like to thank the committee for allowing me this time to speak.