

September 8, 2022

Kip Morse
Chief Executive Officer
Better Business Bureau
3033 Wilson Blvd, Suite 600
Arlington, Virginia 22201

Dear Mr. Morse,

We are seeking clarifications regarding a new report published by your organization on small-dollar lending on September 1, 2022.

https://www.bbb.org/all/scamstudies/payday_loan_scams_study.html

While the report includes dozens of false assertions about the industry - from using the meaningless metric of APR, to making no distinction regarding other products offered by alternative lenders such as installment loans, to calling for lenders to determine a consumer's ability to repay, which every reputable lender in the industry already does - perhaps most disappointing is the Better Business Bureau's (BBB) lack of transparency throughout the report. For example:

- BBB failed to disclose it has dozens of clients and customers that are "payday lenders";
- BBB failed to address the fact that it accredits and highly rates various "payday lenders," including those who lend at rates above 36% APR;
- BBB failed to disclose whether it received payment or collaborated with any outside groups to conduct this report;
- BBB mischaracterized the Military Lending Act, which is actually doing more harm than good to our men and women in uniform and their families;
- BBB failed to disclose that lenders are fleeing states like New Mexico and Illinois, which have adopted the anti-access-to-credit policies BBB says it supports, and implies that 36%+ APR lenders are still broadly operating in New Mexico despite the fact that most have already fled the state or curtailed loan issuance above the 36% rate cap.

A simple search of the BBB website finds that your organization has accredited dozens of so-called "payday lenders," giving them A+ ratings in exchange for payment to your

organization to provide best practices on how to maintain their rating. We believe this business arrangement with lenders, and the ratings these businesses received, should at a minimum be disclosed in this report so that consumers have full transparency about the BBB's accreditation and high ratings for the very lenders it excoriates in its report.

<https://www.bbb.org/us/category/payday-loans>

We also urge the BBB to disclose any arrangement it may have had with any outside groups to prepare and produce the report. The “findings” and language in this report are nearly identical to those used by activist groups that have cast false aspersions on the industry to transform America's financial system in a way that serves their special interests and donors, not the interests of consumers. If the BBB prepared this report independent of any outside group, we believe it should make this clear in the document so that consumers know your organization never sought or accepted payment or collaboration with any outside group. If other outside groups contributed to the report, that should also be disclosed in an upfront and transparent manner.

The BBB report also relies on assumptions about the Military Lending Act, which have been repeatedly refuted. The Military Lending Act (MLA), which is falsely held up in this report as providing “protections” for military men and women, has in reality decimated those who serve their country in uniform. The U.S. Military Academy West Point found that the majority of active-duty military households are denied credit and are worse off than their non-military peers. A 2014 Department of Defense report found that a full third of respondents or their spouses/partners had been turned down or given less credit than requested over the past 5 years; the MLA was enacted before this five-year window, and was a contributing factor to the constriction of credit for members of the military. A 2019 Harris Poll survey of active military servicemembers and their spouses/partners showed that about 11 percent had debt in collections in 2019 compared to 3 percent in 2014. And the MLA did not stop respondents taking out high-interest payday loans: 13 percent of respondents reported taking out a payday loan over the prior 12 months compared to only 6 percent in 2014.

Instead of having more credit choices, military men and women are pawning valuable items, overdrawing their bank accounts and seeking black market lenders – otherwise known as loan sharks. The MLA was enacted as a military readiness initiative to ensure our men and women in uniform could not be compromised or leveraged due to their personal financial situation. It had the opposite effect. If credibility was the objective of this report, suppressing the truth about the MLA also had the opposite effect.

Finally, BBB failed to contemplate or disclose the policies it supports are creating credit deserts in states like Illinois where lenders have fled, leaving borrowers with less access to credit than ever before. New Mexico is the latest state to adopt these flawed BBB policies, and lenders are already packing up and leaving the Land of Enchantment. The report suggests that payday loans are still broadly available in New Mexico with rates of 175% APR. This is not true, as anyone who made a cursory effort to research the situation on the ground in New Mexico would have immediately ascertained.

We would appreciate your response to our concerns at your earliest convenience and hope your organization will update this report to reflect the facts about the small-dollar lending industry, instead of compromising the BBB's name and reputation to advance myths.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick M. Brenner", with a long horizontal flourish extending to the right.

Patrick M. Brenner
President