

**Consumer Action
Consumer Federation of America
Consumers Union
National Consumer Law Center
U. S. Public Interest Research Group**

August 6, 2009

The Honorable Jeff Merkley
United States Senate
SR-107 Russell Senate Office Building
Washington, DC 20510

Re: Deceptive Loan Check Elimination Act

Dear Senator Merkley:

We congratulate you on introducing legislation to protect consumers from the risks of credit marketed via unsolicited checks that can be signed and deposited, obligating consumers to repay high cost loans. The Deceptive Loan Check Elimination Act fills a gap in protections against mailing unsolicited credit devices that has existed since Congress prohibited banks from mailing live credit cards to consumers in the 1970's.

Checks mailed as part of credit solicitations represent the loan principal, not just a credit line. Once these checks are "cashed," the borrower becomes obligated for a relatively large debt generally at a high interest rate and prohibitive terms. This marketing device poses significant costs on consumers, given identity theft and its repercussions. First, consumers are harmed if these checks are cashed by someone other than the named borrower. Given the ease with which incoming mail can be stolen from mail boxes or diverted by others in a household, marketing by unauthorized live check loans is a risk to consumers who did not request credit. The cost to consumers includes the time and money spent correcting credit reports and notifying lenders about fraudulently arranged debt as well as reduced credit scores until the fraudulent item is corrected, which can take months. Second, live loan checks present a "free money" temptation for consumers struggling to make ends meet, who may not have the ability to pay back the check loan.

No device that extends credit and obligates borrowers should be sent without express request from consumers. It is high time that Congress complete the job started over thirty years ago to prohibit creditors from mailing out live credit devices to consumers who did not request them and that can be used to obligate consumers and damage credit ratings.

We look forward to working with you as this bill moves through the legislative process. Please contact Jean Ann Fox, CFA, at 928-772-0674.

Sincerely,

Jean Ann Fox
Consumer Federation of America

Chi Chi Wu
National Consumer Law Center
(on behalf of its low income clients)

Linda Sherry
Consumer Action

Edmund Mierzwinski
U.S. Public Interest Research Group

Pamela Banks
Consumers Union