

Topic: Addressing predatory loans from NBFIs worldwide

Committee: Economic and Financial

Submitter: El Salvador, Senegal, Germany

Co-submitter: Armenia, Poland, Ecuador, The United Kingdom, Malaysia

Signatories: Bahrain, Kenya, Saudi Arabia, Cuba, Brazil, France, Monaco, UAE, Egypt, Mozambique, Nigeria, Gabon

Aware that predatory lending practices disproportionately target vulnerable groups such as minorities, the poor, the elderly, and those with limited education, often exploiting their circumstances for financial gain,

Having examined the nature of predatory loans, it is evident that these lenders frequently approve the refinancing of manipulative loans, imposing new and often exorbitant fees at each transaction, thus trapping borrowers in a cycle of debt,

Recognizing that non-bank financial institutions frequently approve loans based solely on the value of the borrower's home assets, without adequately assessing the borrower's ongoing financial stability or ability to repay the loan, thereby placing them at significant risk of financial ruin,

Acknowledging the severe impact of such unethical lending practices on individuals, families, and communities, leading to increased debt burdens, loss of homes, and exacerbation of socioeconomic disparities,

Emphasizing the need for stringent regulatory measures and consumer protection laws to safeguard vulnerable populations from these exploitative practices, including stricter oversight of loan terms, enforcement of fair lending laws, and education initiatives to increase financial literacy.

1. *Encourages* regional banks to minimize steps and time for granting ‘small sum’ (under \$10,000) personal loans to motivate people to not choose non-bank financial institutions;
 - a) The majority of people choose NBFIs because they need financing in a short period, unable to wait for traditional banking institutions to authorize even small loans.
2. Calls for the implementation of robust consumer protection measures to safeguard individuals from predatory lending and empower them with knowledge, including:
 - a) Financial literacy programs
 - i) Creating a platform where people can enter their incomes and then be exposed to advisory loans that would be feasibly paid

- ii) Supporting people who take loans to review their contracts with lawyers
3. Encourage NGOs to increase accessibility of legal services towards microfinance borrowers;
 4. Taking into consideration that nations per the 2012 UNCTAD PPRSLB exclusively accept loans from reputable financial institutions. To minimize the risk of predatory loans being taken on by governments, signatory nations should take loans from reputable financial institutions approved by ECOFIN;
 5. Deeply conscious of the Loan Entrapment Registry (LER) an agency within ECOFIN that quashes the threats posed by predatory lending,
 - a. Responsible for archiving and issuing alerts to public institutions that participate in sovereign predatory lending,
 - b. The LER will report all conclusive findings to ECOFIN where proper recommendations can be made to signatory nations on punishing offenders,
 - c. Posts of all findings will be made on a public website to ensure civilians can avoid offenders;
 6. Introducing the Fair Lending Authority (FLA), an agency within ECOFIN that mitigates the threats posed by unknowingness regarding predatory lending,
 - a. Guidance and support will be available to nations that request assistance in verifying the terms of the loan,
 - b. Financial experts from signatory nations will staff the FLA,
 - c. Alerts will be issued to the LER of groups that participate in predatory lending;
 7. Pointing out the struggle of citizens at the international scale to obtain simple financial and banking services such as opening a bank account or applying for a loan as the core push factor for many who fall prey to predatory loan providers, especially individuals in the developing world being the most affected, whom these financial services appear as a luxury to,
 - a. Expresses its hope to start financial education programs, developing and implementing these programs at schools and colleges. Programs cover basic financial topics such as saving and investing,
 - b. Further recommends collaborating with the International World Bank (IWB), partnering with them to offer accessible education materials to customers through banking platforms,
 - c. Propounds creating platforms for knowledge exchange such as conferences and forums;

8. Condemning the practices of 'loan-sharks' within UN legislation to elicit the physiological safety of debtors by creating the Anti-Loan-Shark Association (ALSA) to report individuals or groups involved in activities associated with the predation of debtors,
 - a. ALSA would be tasked specifically with submitting lists of persons or groups involved with loan sharks to their respective countries.