

***The NAACP Supports a Strong Rule to Stop the Short Term, High Cost Loan Debt Trap***

**WHEREAS**, the NAACP commends Consumer Financial Protection Bureau (CFPB) Director Richard Cordray for his extraordinary job in advancing the fight against of predatory loan products such as payday loans, title loans that have pushed and held racial and ethnic minority communities, including African American community members, among others in the debt trap; and,

**WHEREAS**, many short term, small dollar loans, including payday loans, tend to be associated with exorbitant interest rates and other high cost, wealth stripping fees. They are heavily marketed and targeted to African Americans, Latinos and low-wealth families traditionally underserved by the mainstream banking system in a process often referred to as “predatory lending”; and

**WHEREAS**, studies have repeatedly shown that the wealth-stripping effects of predatory lending practices have a disproportionate impact on African Americans, Latinos, and low-wealth families, robbing households of hard-earned wages and savings that could otherwise be reinvested into local neighborhoods and communities; and

**WHEREAS**, the use of these predatory products is associated with higher incidences of credit delinquency, delayed medical care, bank overdrafts and account closures, and bankruptcy; and

**WHEREAS**, short term, small dollar lenders including payday and car title lenders collect over \$7 billion in penalties and fees from borrowers on an annual basis; and

**WHEREAS**, the typical average cost of these loans is 300% annual interest or its equivalent in fees; and

**WHEREAS**, the NAACP recognizes the significant enabling/collaborative role of the major banking institutions in providing payday and other predatory lenders favorable financing; and

**WHEREAS**, high-cost, small-dollar lenders make loans that are structured to last for months or years at these high-costs, with continual refinancing and high-defaults; and

**WHEREAS**, many high-cost, small-dollar lenders do not assess a borrower’s ability to repay a loan, considering both income and expenses, and in fact intentionally rely on the unaffordability of these loans to extract huge profits from borrowers stuck in the debt trap cycle; and

**WHEREAS**, the average payday loan borrower is trapped in more than 8 payday loans per year, and the average car title loan is refinanced 8 times. Many borrowers are

unable to afford to repay the original loan plus interest; the result being that they become entangled in a debt trap cycle which is the main source of financial gain for payday lenders; and

**WHEREAS**, 14 states and the District of Columbia have enacted strong state laws that effectively enforce a rate cap to protect against triple-digit interest rate payday loans; and

**WHEREAS**, as advised by the U.S. Department of Defense, Congress enacted the Military Lending Act, containing a 36% rate cap on consumer credit, which extends to payday, car-title, and installment loans to active duty Service members and their families; and

**WHEREAS**, 36 states lack meaningful regulation to protect against triple-digit interest rate payday loans, and 21 states permit high-cost car title lending; and

**WHEREAS**, in 2000, 2001, 2002, 2005, and 2013, the NAACP passed resolutions decrying the lack of affordable credit in the communities we serve and represent, as well as condemning high-cost, predatory, wealth-stripping loans; and

**WHEREAS**, the NAACP championed the Dodd-Frank Wall Street Reform and Consumer Protection Act, through which the CFPB was created to prevent unfair, abusive, and deceptive practices; and

**WHEREAS**, subsequent to extensive research of payday lenders, the CFPB is currently engaged in the rulemaking process for rules that have the potential to end the debt trap created by unaffordable high-cost, small-dollar loans by ensuring that lenders require that borrowers have an ability to repay their loans; and

**WHEREAS**, the NAACP is aware of the tendency of predatory lenders to exploit loopholes in laws and regulations as the local, state, and federal levels; and

**WHEREAS**, the NAACP strongly condemns abusive, predatory, wealth-stripping lending practices in whatever form and wherever they exist, particularly those that disproportionately prey on communities of color and low-wealth families.

**THEREFORE, BE IT RESOLVED**, that the NAACP reaffirms its previously passed resolutions condemning predatory lending practices including Discriminatory Sub-prime and Predatory Lending Practices in 2000, Predatory and Payday lending Practices in 2001, NAACP's Anti-predatory Mortgage & Payday Lending Practices in 2005, and Re-affirming 2002 Policy on Predatory and Payday Lending Practices in 2005, Reaffirming 2013 Affirmation Against all Predatory Lending Practices; and

**BE IT FURTHER RESOLVED**, that the NAACP commits to work through the local, state and federal legislative processes to end these practices, and supports efforts by the CFPB to rein in the abusive, wealth-draining practices of predatory lenders; and

**BE IT FURTHER RESOLVED**, that the NAACP encourages the CFPB to adopt strong rules to protect consumers across the country, requiring high-cost small-dollar lenders to ensure loans are affordable when considering borrowers' income and expenses, and to ensure the loans can be repaid without refinancing or defaulting; and

**BE IT FURTHER RESOLVED**, that CFPB engage the major banking institutions in solving this problem; and

**BE IT FURTHER RESOLVED**, that the NAACP encourages the CFPB to adopt high-cost, small-dollar rules that limit a borrower's total length of indebtedness to no more than 90 days in a 12 month period; and

**BE IT FURTHER RESOLVED**, that the NAACP urges the CFPB not to use its preemptive powers to undermine stronger state or local protections; and

**BE IT FINALLY RESOLVED**, that the NAACP encourages the CFPB to be diligent in adopting rules that encompass tactics used by predatory lenders to evade regulation in efforts to continue offering abusive loan products in all their forms.