June 22th, 2015

The Honorable Richard Cordray, Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Rulemaking addressing payday and car title lending

Dear Director Cordray:

We write to express our support of the Consumer Financial Protection Bureau’s (Bureau) preliminary proposals to address abusive payday and car title lending practices. We applaud the Bureau’s initial steps and urge you to implement strong consumer protections to enforce responsible lending that helps, rather than harms consumers.

We appreciate the strengths of the Bureau’s proposal. While there is a need for affordable credit, unfair, deceptive, and abusive payday and car title lending practices often pull consumers into a cycle of debt. As your 2013 Payday Loans and Deposit Advance Product White Paper highlighted, over 80 percent of payday loans are rolled over or followed by another loan within 14 days and 75 percent of loan fees on payday loan came from consumers with more than 10 transactions over a twelve-month period. We support the Bureau’s efforts to close the door to unaffordable loans by addressing failure to underwrite for affordable payments, repeatedly rolling over or refinancing loans, accessing the consumer’s account for repayment, and performing costly withdrawals. We hope your final rule will protect vulnerable communities and empower consumers to make sound financial choices so that we can build a safer and stronger financial system.

We strongly support the Bureau’s general endorsement of an ability-to-repay principle, based on an evaluation of a borrower’s income and obligations. We also strongly support applying that principle, as the Bureau proposes, to short-term balloon payment loans as well as vehicle title loans and longer term high-cost loans where the lender has direct access to the borrower’s checking account. In finalizing proposed rules, we urge you to focus on meaningful measures to ensure a consumer’s ability to repay.

Ability to repay is the fundamental element of any responsible loan. As the Bureau has noted, rather than lending based on ability to pay, payday lenders often lend based on their ability to collect, putting themselves first-in-line to repay themselves directly from the borrower’s checking account as soon as the borrower receives a paycheck or public benefits. This leaves borrowers vulnerable to incurring ongoing financial difficulties.

Lending without ability to repay and monitoring of performance causes substantial harm to borrowers. As you finalize your proposed rule, we urge you to give this standard appropriate consideration. We appreciate your attention to this issue and look forward to your final proposed rule.

Sincerely,
Terri A. Sewell  
Member of Congress

Alma S. Adams  
Member of Congress

Karen Bass  
Member of Congress

Xavier Becerra  
Member of Congress

Sanford D. Bishop  
Member of Congress

Earl Blumenauer  
Member of Congress

Julia Brownley  
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G. K. Butterfield  
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Lois Capps  
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Michael E. Capuano  
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André Carson  
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Judy Chu  
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David N. Cicilline  
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Katherine M. Clark  
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James Clyburn  
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Anna G. Eshoo  
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Luis V. Gutiérrez
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Mike M. Honda
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Sheila Jackson Lee
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Hank Johnson
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Eddie Bernice Johnson
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Marcy Kaptur
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Robin L. Kelly
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Ann McLane Kuster
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Jim R. Langevin
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Brenda L. Lawrence
Member of Congress
Barbara Lee  
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Eleanor Holmes Norton  
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Frank Pallone, Jr.  
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Bill Pascrell, Jr.  
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Linda T. Sánchez  
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Mark Takano  
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John P. Sarbanes  
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Bennie G. Thompson  
Member of Congress