

# United States Senate

WASHINGTON, DC 20510

June 4, 2015

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

Re: Rulemaking addressing payday lending

Dear Director Cordray:

We write regarding the Consumer Financial Protection Bureau's (CFPB) efforts to study and address payday lending practices. We support the CFPB's initial steps towards releasing a proposed rule and urge you to issue the strongest possible rules to end the damaging effects of predatory lending.

Small-dollar, short-term loans with astronomical interest rates that pull consumers into a cycle of debt are predatory. These loans have high default rates, including after the borrower has already paid hundreds or thousands of dollars because of triple-digit interest rates. Notably, the typical borrower of a two-week loan is in debt for more than half the year.<sup>[1]</sup> In addition, longer term high-cost installment loans with smaller payments than lump-sum payday loans can result in high default or refinancing rates, high rates of bounced payments and other harmful consequences. Even if consumers do not default on these loans, high interest rates, preauthorized payment methods and aggressive debt collection efforts often cause a cascade of devastating financial consequences that can include lost bank accounts, delinquencies on credit cards and other bills, and bankruptcy.

Predatory lenders should not be able to continue unfair, deceptive, and abusive acts or practices that are designed to trap borrowers in a cycle of debt. A CFPB study found that 75 percent of loan fees on payday loans came from consumers with more than 10 transactions over a twelve-month period.<sup>[2]</sup> This is a business model rooted in preying on individuals and families that have no ability to repay, and the CFPB has a critical opportunity to protect consumers by issuing strong rules. We hope that the Bureau will do so, while also taking into account and respecting states that have strong laws currently in place and building on their efforts to protect consumers from predatory lending.

In finalizing proposed rules, we urge you to focus on meaningful measures to ensure a consumer's ability to repay. In the outline of the proposals being considered, the CFPB wrote

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<sup>[1]</sup> CFPB, "Payday Loans and Deposit Advance Products," 24 April 2013, page 23, [http://files.consumerfinance.gov/f/201304\\_cfpb\\_payday-dap-whitepaper.pdf](http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf).

<sup>[2]</sup> CFPB, "Payday Loans and Deposit Advance Products," 24 April 2013, page 22, [http://files.consumerfinance.gov/f/201304\\_cfpb\\_payday-dap-whitepaper.pdf](http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf).

that it “believes that the failure to make an ability-to-repay determination results in many consumers taking out unaffordable loans.”<sup>[3]</sup> Ability-to-repay is a fundamental element of responsible lending; however, predatory lenders, particularly those with direct access to a consumer’s checking account, have not prioritized this standard. Lending in the absence of an effective ability-to-repay determination, and monitoring of how loans perform in practice, causes substantial harm to consumers. We urge you to give this standard appropriate consideration in the proposed rules.

We appreciate your attention to this issue and hope you will soon issue strong rules to address the predatory lending practices that will only continue to harm consumers without swift action.

Sincerely,



Jeffrey A. Merkley  
United States Senator



Richard J. Durbin  
United States Senator



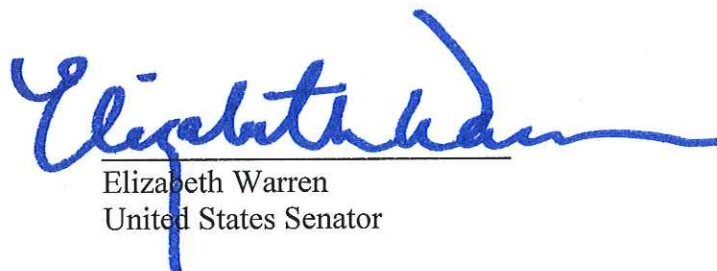
Christopher A. Coons  
United States Senator



Tammy Baldwin  
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United States Senator

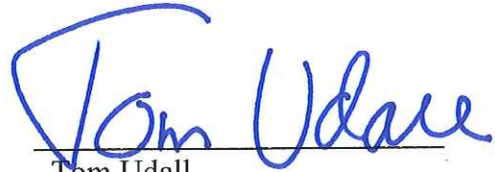


Elizabeth Warren  
United States Senator

<sup>[3]</sup> CFPB, “Small Business Advisory Review Panel for Potential Rulemakings for Payday, Vehicle Title, and Similar Loans,” 26 March 2015, page 3, [http://files.consumerfinance.gov/f/201503\\_cfpb\\_outline-of-the-proposals-from-small-business-review-panel.pdf](http://files.consumerfinance.gov/f/201503_cfpb_outline-of-the-proposals-from-small-business-review-panel.pdf).



Al Franken  
United States Senator



Tom Udall  
United States Senator



Mazie K. Hirono  
United States Senator



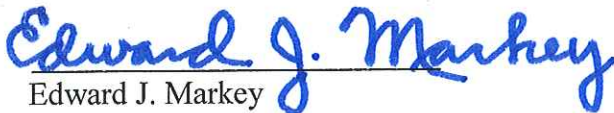
Amy Klobuchar  
United States Senator



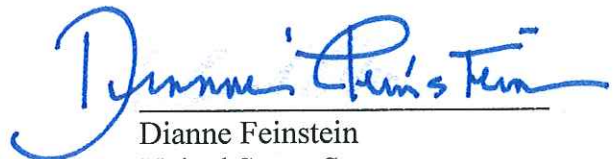
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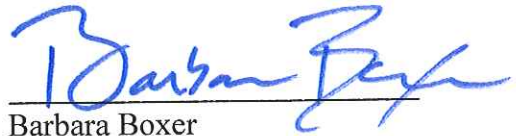


Bernard Sanders  
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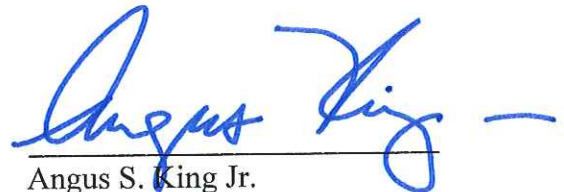
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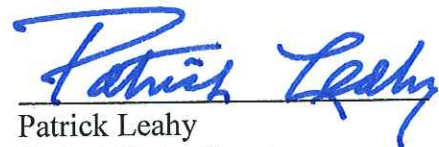
Sheldon Whitehouse  
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United States Senator



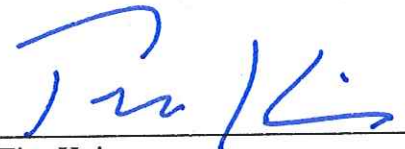
Debbie Stabenow  
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United States Senator



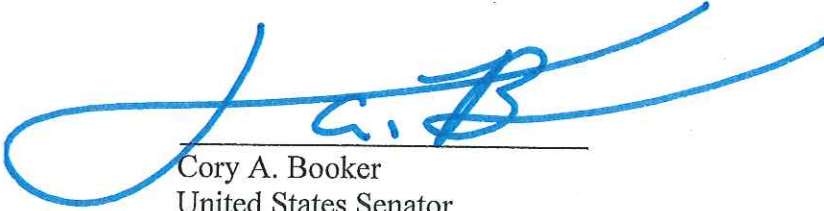
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Kirsten E. Gillibrand  
United States Senator



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Cory A. Booker  
United States Senator



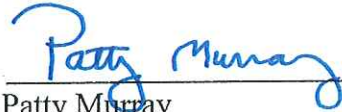
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United States Senator



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Patty Murray  
United States Senator



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