



WASHINGTON BUREAU · NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

1156 15TH STREET, NW SUITE 915 · WASHINGTON, DC 20005 · P (202) 463-2940 · F (202) 463-2953

E-MAIL: WASHINGTONBUREAU@NAACPNET.ORG · WEB ADDRESS WWW.NAACP.ORG

December 15, 2014

President Barak Obama
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

**RE: NAACP CONCERNS WITH HIGH PRICED, SHORT TERM LENDING, INCLUDING
PAYADY LENDING**

Dear Mr. President:

On behalf of the NAACP, our nation's oldest, largest and most widely-recognized grassroots-based civil rights organization, I strongly urge you to do all you can to ensure that the federal government ends the scourge of wealth-stripping, often predatory, payday lending. As you know, the problems associated with short-term loans, especially high cost payday loans, is especially prominent in the communities served and represented by the NAACP. It has been estimated that a typical payday loan borrower is indebted for more than half of the year with an average of nine payday loan transactions at annual interest rates over 400%¹. To quote our Chairman Emeritus, Julian Bond, payday lenders "...open their doors in low-income neighborhoods at a rate equal to Starbucks openings in affluent ones."

Along that line, I would also like to express the NAACP's strong support of and gratitude for the recently proposed revision and expansion of the Military Lending Act regulation beyond the current definition of "consumer credit" to one that applies to all lending currently regulated under the Truth in Lending Act (TILA). We too are convinced that this expansion will help protect our nation's active-duty service members and their dependents from high-cost, abusive credit.

While the NAACP strongly supports legislation to address this wealth-stripping problem (specifically, S. 673 by Senator R. Durbin (IL) and H.R. 5130 by Congressman Cartwright (PA) in the 113th Congress, which would establish a national usury rate for all consumer credit

¹ Center for Responsible Lending See more at: <http://www.responsiblelending.org/payday-lending/#sthash.6i1AGboi.dpuf>

transactions at no more than 36% APR), there are also strong regulatory actions that can be taken by your administration which, if adopted, will go a long way toward protecting users of short-term loans. Specifically, I request that you to urge Rich Cordray, the Director of the Consumer Financial Protection Bureau, to issue a regulation which would:

- Require the lender to determine the borrower's ability to repay the loan, including consideration of income and expenses;
- Not sanction any series of repeat loans or provide any safe harbor of poorly underwritten loans;
- Establish an outer limit on length of indebtedness that is at least as short as the FDIC's 2005 guidelines – 90 days in a twelve-month period;
- Restrict lenders from requiring a post-dated check or electronic access to a borrower's checking account as a condition of extending credit;
- Not create precedents for state legislatures to authorize payday lending in new states based on arguments that the CFPB has declared certain payday loans as safe or to expand short term payday loans into even more dangerous installment payday loans and other installment products;
- Effectively address the predatory effects of car title loans and other monthly loans;
- Not include legal immunity (absolute safe harbor) for loans with unlimited interest rates and default rates;
- Collect disaggregated data on who is applying for, and receiving, these loans, and how much is being borrowed and for how long; and
- Require a transparency of fees, penalties, additional interest rates, and pay-off costs.

Furthermore, as I mentioned earlier in our letter and as I have stated in testimony before Congress², the NAACP strongly supports the proposed revisions, issued in September of this year, by the Department of Defense regarding "Limitations on Terms of Consumer Credit Extended to Service Members and Dependents." The NAACP has endorsed this proposal as an important step to protect the financial security of American service members, their families and their dependents by proposing a much-needed expansion of important military financial protections for payday loans, auto title loans and other products. The proposed rule is also consistent with NAACP policy, which I referred to earlier in this letter, in that it further ensures a cap of 36% APR on fees and interest rates.

² Testimony of Hilary Shelton, on behalf of the NAACP, Before the Senate Committee on Banking and Urban Affairs, 9-18-2014

Thank you in advance for your attention to the concerns of the NAACP and the residents of the communities we serve and represent. Since our inception more than 105 years ago, financial empowerment and the economic security of our neighborhoods has been a cornerstone of our priorities. Sadly, today, too many Americans, and especially racial and ethnic minority Americans do not have access to affordable and sustainable credit. Thus, I urge you again, in the strongest terms possible, to do what you can to end predatory, high cost short term lending and rather to make affordable, sustainable credit available to all Americans.

Sincerely,

A handwritten signature in black ink, appearing to read 'Hilary O. Shelton', written in a cursive style.

Hilary O. Shelton
Director, NAACP Washington Bureau &
Senior Vice President for Advocacy and Policy

CC: Rich Cordray, Director, Consumer Financial Protection Bureau
The Honorable Chuck Hagel, Secretary, Department of Defense