

A STRONG LENDING PAYDAY RULE

Advocates across the political spectrum, interfaith coalitions, veterans groups and civic and community development organizations around the country are pushing the Consumer Financial Protection Bureau to write a strong rule eliminating abusive payday, car title and installment lending practices.

A strong rule would require lenders to make affordable loans: **There is a simple and widely accepted definition of an affordable loan: It is a loan that can be paid back in full and on time without causing the borrower to repeatedly re-borrow or to default on household necessities like food and utilities.**

Specifically, we are asking the CFPB to:

- Require all high-cost lenders, including payday, installment and car title lenders, to confirm before making a loan that a borrower can reasonably be expected to repay it - given their income and expenses -without defaulting on other bills and without taking out a new loan.
- Make affordability the standard for all loans, without exception. Do not allow loopholes for lenders to choose how they are regulated.
- For short-term loans, limit the amount of time that lenders can keep borrowers in payday loan debt to no more than 90 days in a 12-month period;
- For longer-term loans, address refinancings for loans that become debt traps and discourage loan terms in which the borrower is not making significant progress toward paying off the debt

These standards and practices should apply to the first loan and every loan, without exception. Any exceptions that allow for unaffordable loans provide a perceived CFPB “stamp of approval” for a predatory, “debt trap” business model.

WHERE ARE WE NOW

In March, the Consumer Financial Protection Bureau (CFPB) released a working draft of the rule. The rule contains many strong provisions but also allows for some exceptions to the mandate that loans must be affordable.