

United States Senate

WASHINGTON, DC 20510

July 20, 2016

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

Dear Director Cordray,

We write to express our support for the Consumer Financial Protection Bureau's (CFPB) proposed rule to address payday lending practices. We believe that the CFPB's efforts will help to rein in damaging payday loans, and are pleased that the proposal also applies to abusive vehicle title loans, deposit advance products, and certain high-cost installment loans and open-end loans. However, we encourage the CFPB to strengthen certain protections in the proposed rule to ensure the strongest possible defense against the predatory lending models that trap consumers in unaffordable and escalating cycles of debt.

Research shows that small-dollar loans with excessive interest rates often drag consumers into a cycle of debt that is not sustainable. Many payday loans can carry annual interest rates of 300% or higher along with fees that exceed the amount borrowed, making it virtually impossible for any American living paycheck to paycheck to fully pay off the associated principal, interest, and fees to retire their debt. The ability of a payday lender to access a borrower's bank account and rack up overdraft fees adds to the already vicious cycle and exorbitant costs of payday loans.

For most Americans, these high-cost loans are unaffordable with one in five borrowers eventually defaulting. The cycle begins when those borrowers unable to make their payments are forced to return to the payday lender and borrow more to pay off their previous loan. According to CFPB's own research, 80% of payday loans are rolled over or renewed and the majority of payday loans are made to borrowers who renew their loans so many times that they pay more in fees than the amount of money they borrowed.¹ As described, payday loans are unaffordable by design. Three-quarters of payday loan fees are generated by consumers who take out ten or more payday loans a year.²

We are encouraged to see the CFPB's proposed rule tackle the unaffordability of these loans by requiring lenders to evaluate a consumer's ability to repay. By establishing an ability to repay standard in payday lending, including an assessment of both income and expenses, the CFPB is taking a critical step toward ensuring that payday lenders originate affordable loans. We were

¹ United States, Consumer Financial Protection Bureau, Press Release "CFPB Finds Four Out Of Five Payday Loans Are Rolled Over Or Renewed," March 25, 2014. Available at: <http://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-four-out-of-five-payday-loans-are-rolled-over-or-renewed/>

² United States, Consumer Financial Protection Bureau, "Payday Loans and Deposit Advance Products, White Paper of Initial Data Findings," April 24, 2013, pg 22. Available at: http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf

also pleased to see the CFPB reaffirm the importance of strong state laws on payday lending that include consumer protections.

However, we are concerned the proposed rule allows for some exemptions from the ability to repay analysis as outlined in the proposal. For example, the proposal allows lenders to make six loans to a single borrower without determining their ability to repay, so long as certain disclosures are made and borrowing history conditions are met. The proposal also includes exemptions from the full ability to repay analysis for certain problematic long-term loans, which may include high origination fees. We urge the CFPB to reconsider the six loan exemption and implement strong ability to repay requirements. We also encourage you to strengthen the analysis that lenders must undertake to ensure that borrowers have enough money to pay all basic living expenses.

Additionally, we are concerned about the reduced cooling off, or waiting, period between loans from 60 days in the CFPB's preliminary proposal to 30 days in the proposed rule. As noted above, the CFPB's research found that 80% of payday loans are rolled over or followed by another loan within 14 days.³ By reducing the cooling off period, the CFPB's protection against repeated borrowing is substantially weakened. We urge the CFPB to ensure that a cooling off period is long enough that borrowers can manage their expenses and are not reborrowing to service prior short-term loans.

Overall, we commend the CFPB for taking action against one of the most destructive financial products in the market. We hope the CFPB will take this opportunity to strengthen the proposed rule, affirm strong existing requirements under state law, and end the payday debt trap, ensuring that hardworking Americans are able to responsibly manage their finances.

Sincerely,



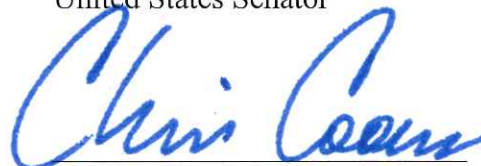
Jeffrey A. Merkley
United States Senator



Richard J. Durbin
United States Senator




Sherrod Brown
United States Senator



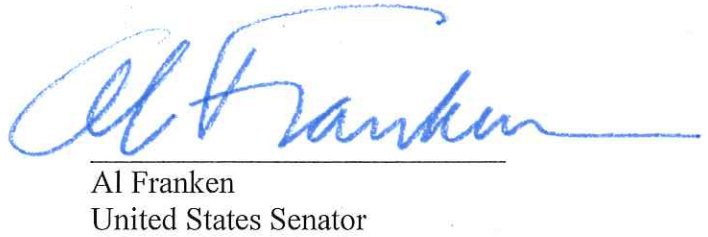
Chris Coons
United States Senator

³ United States, Consumer Financial Protection Bureau, The CFPB Office of Research "CFPB Data Point: Payday Lending," March 25, 2014, pg 4. Available at: http://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf

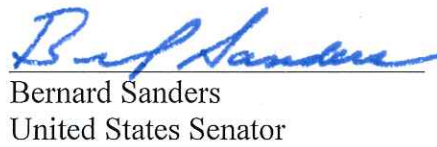

Jack Reed
United States Senator

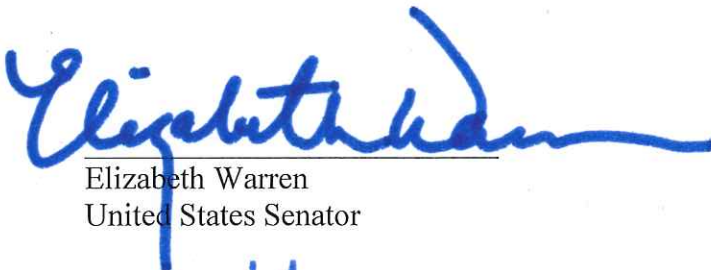

Kirsten Gillibrand
United States Senator


Edward J. Markey
United States Senator


Al Franken
United States Senator

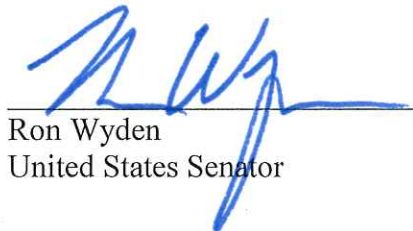

Tammy Baldwin
United States Senator

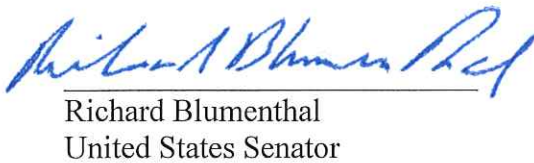

Bernard Sanders
United States Senator


Elizabeth Warren
United States Senator

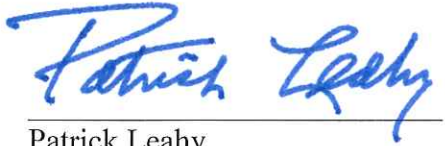

Sheldon Whitehouse
United States Senator


Martin Heinrich
United States Senator

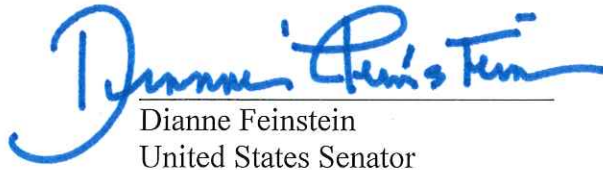

Ron Wyden
United States Senator


Richard Blumenthal
United States Senator


Patty Murray
United States Senator



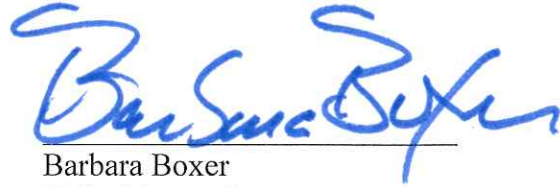
Patrick Leahy
United States Senator



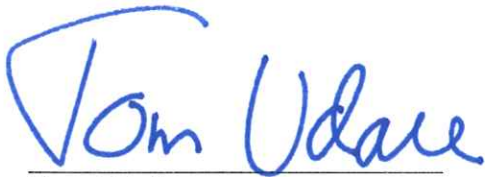
Dianne Feinstein
United States Senator



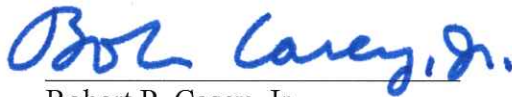
Mazie K. Hirono
United States Senator



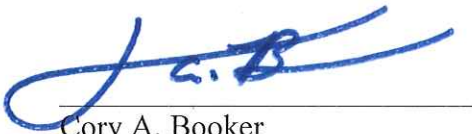
Barbara Boxer
United States Senator



Tom Udall
United States Senator



Robert P. Casey Jr.
United States Senator



Cory A. Booker
United States Senator



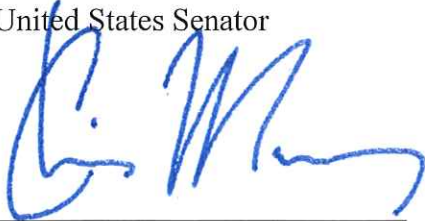
Maria Cantwell
United States Senator



Barbara A. Mikulski
United States Senator



Benjamin L. Cardin
United States Senator



Christopher S. Murphy
United States Senator



Charles E. Schumer
United States Senator