Congress of the United States
Washington, DC 20515

October 12, 2016

Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, D.C. 20552

Docket ID: CFPB-2016-0025

Dear Director Cordray:

We write to applaud the Consumer Financial Protection Bureau (CFPB) for undertaking the proposed rulemaking on Payday, Vehicle Title, and Certain High-Cost Installment Loans, and to express our concerns with certain provisions in the proposal. The rulemaking is an important step in protecting consumers from predatory payday lenders and we encourage the CFPB to continue to work with stakeholders to craft a strong final rule that protects families across the country.

In Oregon, existing consumer protection laws are in place that cap interest rates on payday loans to 36 percent plus origination fees and prohibit more than two renewals on an existing loan. Although these protections have saved many Oregonians from falling further into the cycle of debt, there is much more that can be done to prevent vulnerable borrowers from incurring unsustainable debt with unfair terms that will be difficult, or even impossible, to repay. Despite the state's strong laws, Oregonians still paid more than $6.5 million in payday loan fees last year and more than $10 million in car title loan fees[1].

For the millions who are still trapped in the cycle of debt from payday loans, as well as those who might find themselves in financial peril in the future, it is important that the CFPB's final rule include robust "ability to repay" protections. The proposed rule's "ability to repay" standard requires that lenders verify income, existing financial obligations and borrowing history, and make a "reasonable determination" that the borrower has the ability to repay the loan while still meeting their existing obligations and living expenses. This test is a step in the right direction to protecting consumers from loans they cannot realistically repay, but the standard's definitions must be further clarified. We encourage the CFPB to define "basic living expense," rather than allow lenders to determine what constitutes an individual's living expense. Without clear definitions from the CFPB on all terms in the "ability to repay" standard, unscrupulous lenders will still be able to take advantage of borrowers who do not realistically have an ability to repay their loans.

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[1] Standaert, Diane. "Payday and Car Title Lenders Drain $8 Billion in Fees Every Year" *Center for Responsible Lending*, May 2016. http://responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_statebystate_fee_drain_may2016_0.pdf

Additionally, we are concerned about the proposed rule's provision that allows payday lenders to lend up to six loans in a year to a borrower without considering the borrower's ability to repay. If payday lenders can continue lending without assessing a consumer's ability to repay, borrowers will still find themselves trapped in a debt cycle from which they cannot easily recover. We urge you to remove this provision and adopt a strong rule that requires the "ability to repay" standard be applied to all loans to ensure all borrowers are protected from unaffordable and abusive loans.

Another area of concern is that the CFPB's proposed rule does not address the abusive practices perpetuated by lead generators. Some websites describe themselves as payday lenders but are actually just lead generators that collect private financial information—such as Social Security and bank account numbers—and distribute it to payday lenders. As the CFPB's recent enforcement actions have shown, this practice is prone to abusive behavior.[2] The CFPB should take this opportunity to protect consumers' personal information and prohibit lead generators from disseminating private and sensitive financial material to payday lenders.

Finally, we encourage you to include in the final rule a requirement for payday lenders to register with the CFPB. By tracking the payday lenders, states will able to have a more precise picture of the marketplace while also monitoring the number of outstanding payday loans for each of their customers. The registration requirement could also serve as a compliance measure to ensure payday lenders are following state laws. We urge the CFPB to consider implementing a registration requirement for payday lenders to increase transparency and accountability in the payday lending industry.

Thank you for your attention to our concerns. We look forward to continuing to work with you to protect consumers from the cycle of debt.

Sincerely,

Suzanne Bonamici

SUZANNE BONAMICI
Member of Congress

RON WYDEN
United States Senator

Jeffrey A. Merkley

JEFFREY A. MERKLEY
United States Senator

Peter DeFazio

PETER DEFAZIO
Member of Congress

Earl Blumenauer

EARL BLUMENAUER
Member of Congress

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[2] http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-co-founders-of-online-lead-aggregator/