

United States Senate

WASHINGTON, DC 20510-4606

COMMITTEES:
FINANCE
BANKING, HOUSING, AND
URBAN AFFAIRS
BUDGET
INTELLIGENCE
RULES AND ADMINISTRATION

October 13, 2016

The Hon. Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G St NW
Washington, DC 20552

Dear Director Cordray,

I write in support of the Consumer Financial Protection Bureau's (CFPB) proposed rule on payday lending.

As James Baldwin once said, "Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor." As a recent article in *The Atlantic*¹ and numerous studies have highlighted,² nearly half of all Americans would have difficulty meeting an unexpected \$400 expense, and thus it is important to maintain opportunities for short-term borrowing. Tragically, many of these same Americans are often targeted by unscrupulous lenders promising quick access to credit when facing a financial emergency, leading to a spiraling and ruinous cycle of debt.

Unfortunately, the mantra of "access to credit" is too-often deployed by the payday loan industry to argue against necessary consumer protections. As you know, for many years, active-duty service members were the most frequent targets of predatory lending. This is evidenced by the cluster of payday and title lenders located near military installations. Fortunately, in 2006 Congress passed the Military Lending Act (MLA) to provide critical federal protections against predatory lending for active-duty service members and their families. While the MLA protects up to 5 million Americans through its requirements, it is important to extend protection against predatory lending to all Americans.

Over the years, Virginia has taken commonsense steps to reign in predatory lending. Unfortunately, loans originated online and offshore or from Native American reservations still target vulnerable Virginians. That is why I strongly support the CFPB's efforts to create federal protections for consumers utilizing payday products. It is important that the rule appropriately cover payday alternatives and similar products, including auto title lending and high-cost installment loans that are structured to evade other restrictions associated with short-term, more traditional payday loans. Additionally, any rule should address the practice that encourages

¹ Neal Gabler, The Secret Shame of Middle-Class Americans, THE ATLANTIC, May 2016, available at <http://www.theatlantic.com/magazine/archive/2016/05/my-secret-shame/476415/>.

² Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2015*, May 2016, available at <http://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf>.

borrowers to frequently roll over loans, generating large fees for lenders but entrenching the borrowers in prolonged debt cycles.

As the CFPB extends such protections, I also hope that it continues to work to create an environment in which companies can offer responsible choices for low-income and middle-class Americans. The burgeoning FinTech sector offers promise to provide affordable and safe payday alternatives, build or re-build credit histories, and improve financial literacy, and encouraging innovation here is critical to displacing unscrupulous lending activity.

As always, thank you for your public service.

Sincerely,

A handwritten signature in blue ink that reads "Mark R. Warner". The signature is written in a cursive, flowing style.

Mark R. Warner