



October 6, 2016

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

Docket No. CFPB-2016-0025

Dear Director Cordray,

On behalf of the more than 650 national religious institutions and faith communities Jubilee USA represents, we thank the Consumer Financial Protection Bureau (CFPB) for its attention to the critical issue of responsible lending and borrowing in our economy. We are grateful for the opportunity to offer our feedback on the CFPB's proposed "payday" lending regulations.

Since our founding, Jubilee USA works to promote responsible lending and borrowing in our financial system. Responsible lending and borrowing is a critical component of building an economy that reduces poverty and inequality. Responsible finance promotes transparency, accountability and financial stability.

Jubilee USA takes its name from the Jubilee of the Hebrew Scriptures and the Christian Gospels. The notion of Jubilee is about establishing right relationships in our economy and in our world – responsible lending and borrowing is the idea of embedding those relationships into specific financial transactions. In the view of the faith traditions we represent, predatory or reckless lending violates the commitment of human beings to "love your neighbor" as yourself. As predatory and irresponsible lending practices trap more and more Americans in debt, Jubilee USA sees clear links between our long-standing work on international debt and the plight facing communities here in the United States.

We are particularly concerned by predatory "payday" lending practices.

Some payday lending targets those who are in or at risk of financial distress. Americans without a college degree, African Americans, Americans who don't own their own home, those earning below \$40,000 annually and those who are separated or divorced are more likely than the American public as a whole to take out a payday loan.ⁱ While payday loans are often advertised as a solution to unexpected emergency expenses, they are frequently used to cover recurring, basic expenses.

The average annual percentage rate (APR) on payday loans is 391 percent, and many consumers are unable to pay off these loans on time.ⁱⁱ Approximately 70 percent of borrowers take out an additional payday loan within a month of taking out their first loan.ⁱⁱⁱ The payday lending model arguably depends on repetitive borrowing.

The CFPB's new proposed rule is a critical first step to protect vulnerable communities and promote responsible lending and borrowing. We applaud the CFPB for addressing this critical issue and proposing concrete steps to protect consumers from predatory lending products.

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Jubilee USA supports a strong regulatory framework for payday and other small-dollar lending models. We urge the CFPB to strengthen the proposed rule in several key areas.

First, the ability-to-repay provision should apply to all loans without exception. Allowing even one unaffordable loan can cause harm to individuals, families and communities. The final rule should require the lender to determine a borrower's ability to pay back the loan, within the stated timeframe of the loan, from the first transaction.

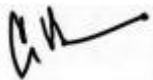
Second, the CFPB should establish a meaningful definition of "affordable." Specifically, the lender should consider only the borrower's income and living expenses when determining whether or not a loan is affordable. Some lenders consider access to a borrower's bank account as proof of ability to repay. Not only is access not an indicator of the ability to repay, additional financial damage can occur when a lender attempts to debit an account that contains insufficient funds.

Third, the rule should more firmly address the problem of re-borrowing. Currently, a payday borrower will take out eight payday loans a year.^{iv} Allowing up to 10 loans by a single lender is too high and should be lowered substantially.

Fourth, the proposal to establish a payday loan registry and collect basic loan information from all payday lenders is a step in the right direction. But the CFPB should establish clear and definitive standards for assessing whether a lender is complying with the ability-to-pay requirement. Under the proposed rule, the CFPB would compare a lender's default rate to that of other payday lenders. This creates clear problems in determining an acceptable standard default rate. The CFPB should establish that rate, not allow industry norms to determine it.

Thank you to the Consumer Financial Protection Bureau for its work to protect consumers and promote responsible lending and borrowing. And thank you for your consideration of our comments.

Sincerely,



Eric LeCompte
Executive Director

ⁱ "Payday Lending in America: Who Borrows, Where They Borrow, and Why." Pew Research Center, Washington, D.C. (July, 2012).

http://www.pewtrusts.org/~media/legacy/uploadedfiles/pes_assets/2012/pewpaydaylendingreportpdf.pdf

ⁱⁱ Stacy Cowley, "Payday Loans' Debt Spiral to Be Curtailed," The New York Times, June 02, 2016, accessed September 16, 2016.

ⁱⁱⁱ David Silberman, "We've Proposed a Rule to Protect Consumers from Payday Debt Traps | Consumer Financial Protection Bureau," Consumer Financial Protection Bureau, June 02, 2016, accessed September 16, 2016.

^{iv} "Payday Lending in America: Who Borrows, Where They Borrow, and Why." Pew Research Center, Washington, D.C. (July, 2012).

http://www.pewtrusts.org/~media/legacy/uploadedfiles/pes_assets/2012/pewpaydaylendingreportpdf.pdf