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LORI GLASGOW
EXECUTIVE OFFICER

September 22, 2016

Mr. Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Dear Director Cordray:

We are writing to express our support for the Consumer Financial Protection Bureau's (CFPB) outstanding efforts to protect consumers and to urge that it take action this year to adopt a strong final rule that would protect our nation's most vulnerable consumers against abusive payday, car title, and installment lending practices.

In California, there are approximately 2,000 high-cost payday lending businesses that make more than $4.17 billion in triple-digit interest rate loans to Californian families. These businesses drain more than $500 million in payday loan fees and more than $200 million in car title loan fees from our communities each year. Their abusive lending practices not only harm borrowers, but also drain economic resources from our State's economy, resulting in an estimated net loss of $135 million in economic activity and 1,975 jobs.

The County of Los Angles welcomed the CFPB's issuance on June 2, 2016 of a proposed rule aimed at protecting consumers against abusive payday and car title lending practices. Requiring lenders to take into account a borrower's ability to repay loans and by addressing how lenders go about extracting loan payments from borrowers' bank accounts is a step in the right direction.

We are concerned, however, that the proposed rule includes some exemptions for lenders, which create major loopholes. For example, under the proposed rule, in lieu of complying with a new requirement to determine the borrower's ability to repay a loan, a lender can "abide by a set of alternative requirements governing the terms of the loan." This inappropriately would enable lenders to set loan terms that could force many borrowers to repeatedly re-borrow high cost short-term loans.

We urge that the CFPB adopt a final rule free of such loopholes that includes provisions to require the lender to determine the borrower's ability to pay a loan, including consideration of income and expenses (without exemptions), do not allow any series of repeat loans or provide safe harbor of poorly underwritten loans, and establish an outer limit on length of indebtedness that is a least as short as the Federal Deposit Insurance Corporation's guidelines of 90 days in a 12-month period. These provisions would protect consumers from being forced into a cycle of re-borrowing to repay previous loans.

The Consumer Financial Protection Bureau also should issue a final rule that would restrict lenders from requiring a post-dated check or electronic access to a borrower's checking account as a condition of extending credit. Without this protection, lenders would be allowed to make many attempts to withdraw funds from a borrower's checking account to repay loans. When such attempts fail due to a lack of sufficient funds, borrowers must pay substantial bank penalties as well as returned payment fees from payday lenders. We also support limiting the annualized percentage rate (APR) on the loans to 36% or less, which is far more reasonable than the average 460% APR on a $300 payday loan in California.

We would greatly appreciate your leadership and assistance on this important matter.

Sincerely,

Hilda L. Solis

HILDA L. SOLIS
Chair of the Board
Supervisor, First District

Mark Ridley-Thomas

MARK RIDLEY-THOMAS
Supervisor, Second District

Sheila Kuehl

SHEILA KUEHL
Supervisor, Third District

Don Knabe

DON KNABE
Supervisor, Fourth District

Michael D. Antonovich

MICHAEL D. ANTONOVICH
Supervisor, Fifth District