



LOS ANGELES COUNTY
**CONSUMER &
BUSINESS AFFAIRS**

Brian J. Stiger
Director

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October 7, 2016

Richard Cordray, Director
Consumer Financial Protection Bureau
1700 G. Street, NW
Washington, DC 20522

Re: CFPB-2016-0025 Comments on Proposed Rulemaking

Dear Director Cordray:

The purpose of this correspondence is to express our support for the Consumer Financial Protection Bureau's (CFPB) efforts to protect consumers and to urge your agency to take action this year to adopt a strong final rule that would protect our most vulnerable consumers against abusive payday, car title, and installment lending practices.

The Los Angeles County, Department of Consumer and Business Affairs (DCBA) is one of the largest local consumer protection organizations in the country. Our consumer protection program serves over 10 million consumers living and working in 88 cities and 140 unincorporated areas. To promote a fair and vibrant marketplace, we serve consumers, businesses, and communities through education, advocacy, and complaint resolution.

Here in California, we have 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 over \$200 million in car title land 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 almost 2,000 jobs.



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DCBA is generally supportive of CFPB's proposed rule to protect consumers against abusive payday and car title lending practices. Requiring lenders to consider a borrower's ability to repay loans and by addressing how lenders extract loan payments from a borrower's bank account is an important step in the right direction.

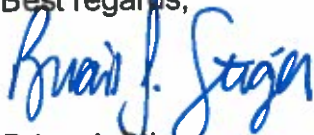
DCBA is concerned, however, that the proposed rule includes exemptions for lenders, which create major loopholes. For example, under the proposed rule, in lieu of complying with a new requirement to determine the borrower's ability to repay a loan, a lender can "abide by a set of alternative requirements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

DCBA urges CFPB to 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 the 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 at 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.

DCBA urges CFPB to 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. DCBA also supports 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.

If you have any questions or need additional information, please feel to contact me at your earliest opportunity.

Best regards,



Brian J. Stiger
Director