

UFCW ARIZONA 99

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JAMES J. McLAUGHLIN - President, International Vice President

STAN E. CHAVIRA - Secretary / Treasurer 

August 4, 2016

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

Docket No. CFPB 2016-0025

Dear Director Cordray:

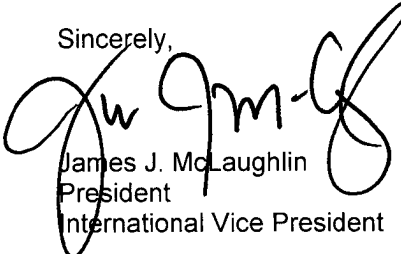
Arizona workers deserve better than triple digit interest rate debt-trap lending schemes. That is why many of us became part of a strong coalition in 2008 that helped defeat the payday lenders' Prop 200 ballot initiative by a 60-40 percent margin. The voters of Arizona sent a clear message that payday lenders were not welcome. Arizona has a small loan law that caps interest rates at 36% plus a 5% administrative fee. This is why it is extremely important that your agency strengthen the proposed rules on payday and car title lending.

UFCW Local 99 urges the CFPB to honor state usury laws or rate caps. The CFPB does acknowledge in the rule preamble that state usury laws are better protection than the CFPB rule. This acknowledgment should go further in supporting stronger state protections. While title loans currently have a carve-out from Arizona's small loan rate cap, the CFPB should strengthen the rule by making a violation of state usury laws and rate caps for covered loans an unfair and abusive practice under Dodd Frank to improve enforcement. The CFPB should make clear in its final rules that states should not view payday loan rules as an endorsement or support for states to legalize the payday loan product.

Furthermore, the CFPB should apply the ability to repay standard on every loan not just after six loans per year. We know from experience that even one unaffordable loan can harm consumers. Despite sunset of the law authorizing loans secured by personal checks, Arizona title/registration lenders often require borrowers to provide access to bank accounts via blank checks, debit cards, or ACH authorization. Repeat attempts to withdraw funds trigger NSF or overdraft fees that average \$35 each attempt and drive up costs. The CFPB should strengthen the bank account protections to require reauthorization from the borrower after three failed tries in a 12-month period, even if attempts are not consecutive.

We are pleased to see the CFPB take these first steps to create commonsense rules to protect vulnerable consumers. We hope that your agency takes these comments under serious consideration. It is vital that the CFPB rule further protects Arizona's consumers and does not undermine existing state consumer protections that we have all worked so hard to obtain.

Sincerely,



James J. McLaughlin
President
International Vice President

JM:ekf

UNITED FOOD AND COMMERCIAL WORKERS UNION LOCAL 99

2401 North Central Avenue, 2nd Floor, Phoenix, Arizona 85004-1331 • Main: (602) 254.0099 • TF: (800) 997.0099 • F: (602) 251.0459
877 South Alvernon Way, Suite 100, Tucson, Arizona 85711-5352 • Main: (520) 884.9716 • TF: (800) 997.0099 • F: (520) 884.9023