



September 28, 2016

Richard Cordray, Director
Consumer Financial Protection Bureau
1700 G Street N.W.
Washington D.C. 20552

Dear Director Cordray,

RE: Docket No. CFPB-2016-0025 or RIN 3170-AA40

Thank you for your leadership of the Consumer Financial Protection Bureau. Your agency has helped millions of consumers in the financial sector who just need a fair playing field. We appreciate your work and your focus to your mission.

We greatly appreciate the recent release of draft rules concerning small loans and we applaud your goal of “proposing strong protections aimed at ending payday debt traps.” As you know, Washington State reformed our payday lending regulations in 2009 with our law going in to effect in 2010. Since that time, according to the Department of Financial Institutions 2014 report, consumers in Washington have saved over \$666 million in fees that would have otherwise been paid to payday lenders. These savings are the result of consumers being able to escape the cycle of debt often caused by payday loans.

The Washington law curbs the worst elements of debt traps; loan volume, time in debt, and loan size are all down from pre-reform levels. Payday loan volume has fallen by over 75%, and the amount of time that a typical borrower is indebted has fallen by 50% (down from 161 days in 2009 to 83 days in 2014). Although Washington payday loans can be as large as \$700, the typical loan size has continued to fall since the enactment of the reforms (from \$412 in 2009 to \$389 in 2014). Finally, the vast majority of borrowers in Washington—over 72%—are not taking out the 8-loan maximum allowed in a given 12 month period, instead, the typical customer takes an average of 3 loans.

Borrowers in Washington State are also limited to a \$95 cost exposure on one payday loan and have the option of converting to an installment loan “off-ramp” if they are unable to repay under the original terms. This installment option allows borrowers who cannot repay more time to meet their obligation without roll-over lending leading to a debt trap. Because our installment option charges no further fee, it is therefore

limited to \$95 on one loan. If a consumer opts for this installment option, it works as a circuit breaker to prohibit further borrowing.


Given the concrete evidence of the positive consumer effects of Washington State's payday lending law, we urge you to strongly regulate small dollar lending at the federal level. We agree with the vast majority of the public (75%), as evidenced in the Pew Charitable Trust May 2015 national telephone survey, who want to see payday lenders regulated. This desire for regulation is strong even among those who are users of payday loans themselves (72%).

We appreciate the intent of the limitations you have proposed for short-term loans that the CFPB seeks to exempt from the ability-to-repay test: the cap on loan amounts, the institution of waiting periods, requiring a decline in the principal of a loan, and ultimately the trigger of an underwriting requirement after six loans. However, we would prefer to see an underwriting standard, as well as the other measures such as a total limited of 90 days of indebtedness, on all short-term loans in the final federal regulation. We believe that federal rule along with the other rules on small lending would work very well with Washington's current law and further guard against debt traps for Washington's consumers.

We understand your desire to protect borrowers with an "ability to repay" test and underwriting of small dollar loans, both for traditional payday loans for longer-term installment loans. We urge you to make any underwriting rule clear and comprehensive. We would like you to ensure both income and expenses are verifiable and inclusive. We urge you to not sanction a low-bar of the delinquency, default, and re-borrowing benchmarks of high-cost lenders to allow other high-cost lenders to say they are adequately underwriting. Doing so would encourage aggressive collection on unaffordable loans and allow high rates of re-borrowing that already persist to continue. Instead, the CFPB should consider high rates of defaults, delinquency, and re-borrowing as strong evidence of inability to repay.

Director Cordray, again thank you for your leadership of the Consumer Financial Protection Bureau and your leadership in the area of regulating payday lenders in a meaningful way.

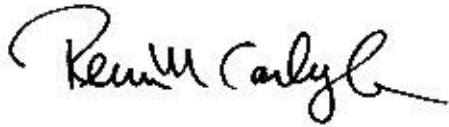
Sincerely,



Senator Sharon Nelson
Democratic leader
34th Legislative District



Representative Frank Chopp
Speaker
43rd Legislative District



Senator Reuven Carlyle
36th Legislative District



Representative Sherry Appleton
23rd Legislative District



Senator Maralyn Chase
32nd Legislative District



Representative Steve Bergquist
11th Legislative District



Senator Annette Cleveland
49th Legislative District



Representative Eileen Cody
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Senator Steve Conway
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Representative Jessyn Farrell
46th Legislative District



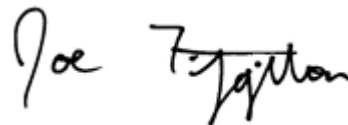
Senator Jeannie Darneille
27th Legislative District



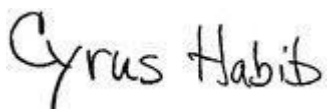
Representative Jake Fey
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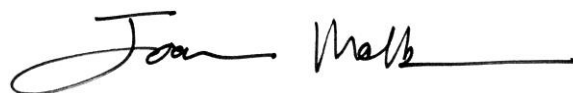
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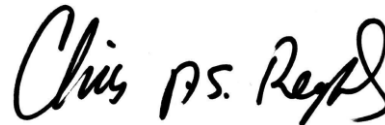
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