



October 7, 2016

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

Dear Director Cordray—

As elected officers representing citizens in the Pennsylvania cities of Philadelphia and Pittsburgh, we the signers of this letter respectfully urge the U.S. Consumer Financial Protection Bureau (CFPB) to issue a strong payday lending rule that truly protects consumers from the harmful payday loan debt trap.

We appreciate the Bureau's efforts to curb predatory payday lending by crafting the first-ever federal payday lending rules, and we recognize that this is not an easy task. Since the Consumer Financial Protection Bureau (CFPB) is prohibited by statute from setting an interest rate cap – undoubtedly the best way to regulate high-cost lending – it is crucial that the CFPB bolsters, and does not undermine, Pennsylvania's strong consumer protections through the Bureau's proposed rulemaking.

We understand that a national CFPB rule would not preempt our stronger state interest cap, but we're specifically concerned that weaknesses in the rule would present a direct threat to our state consumer protections by undeservedly legitimizing predatory lending practices. We already have seen the payday lending industry attempting to use the forthcoming CFPB rule as leverage to weaken Pennsylvania's existing protections. More specifically, payday lenders are crafting state legislation to legalize their loans based on weaknesses in the CFPB's preliminary proposal which would allow high-cost, long-term loans to be made without regard to a borrower's expenses and the harm of prolonged indebtedness.

Pennsylvania is proud to have some of the strongest laws in the nation shielding our constituents from abusive lending practices. As elected officials at the local level, we are committed to ensuring that these protections aren't eroded, and continue to urge our colleagues around the Commonwealth to reject any attempt to weaken Pennsylvania's strong cap on fees and interest.

As publicly elected officials who collectively represent more than one million citizens of the Commonwealth of Pennsylvania, we urge you to issue a strong national payday rule. The best way to address abusive payday, car-title, and other forms of predatory high-cost lending is to put an end to them once and for all.

We ask that your final rule build upon – rather than undermine – strong state protections like those in Pennsylvania, and enhance our ability to enforce them, including:

- Declaring the importance of state rate caps by reaffirming that state interest rate caps are the most effective way to protect people from payday and other predatory, high-cost loans.
- Emphasizing that offering loans that violate state usury or other state laws is itself an unfair, deceptive, and abusive practice; and
- Emphasizing that those who facilitate illegal loans through payment processing, lead generating, and advertising are engaging in unfair, deceptive, and abusive practices.

Additionally, we support a strong rule which, at a minimum, would:

- **Require a meaningful “ability to repay” standard for every loan without exceptions.**
Since the CFPB cannot set a rate cap, the rule should require lenders to verify a borrower’s ability to repay every loan, considering both income and expenses. The proposed rule contains dangerous loopholes to this standard. For example, the proposal allows six triple-digit APR payday loans a year to be made without any ability-to-repay determination. This is six unaffordable loans too many.
- **Close loopholes in the rule that allow lenders to continue “business as usual.”**
The rule must be strengthened to ensure that people have enough money to live on after paying back the loan. The proposed rule falls short by allowing lenders to simply continue “business as usual,” making loans to borrowers who cannot afford them but have not defaulted in the past.
- **Strengthen the protections against loan flipping.**
Ensure borrowers can’t be stuck in so-called two-week loans for three months or more, and prevent serial flipping of longer-term loans.

As you know, abusive payday lenders have a track record of intentionally targeting our some of most vulnerable communities – our veterans, seniors, and the poor. We are determined to protect our constituents from these predatory practices and pledge to defend any attempt to allow the industry to operate in Pennsylvania. We are proud of the progress that Pennsylvania has made to protect consumers. Yet, by inadvertently undermining our consumer protections, we are also certain that a weak CFPB rule would be the first step toward rolling back Pennsylvania’s progress, putting more than 12 million Pennsylvanians at risk into falling into the debt trap.

We call on you to issue a strong national rule that in no way undermines Pennsylvania’s strong protections against abusive payday lending practices. A strong rule will benefit people everywhere.

Respectfully,

Cherelle L. Parker
Councilwoman – 9th District
City Council of Philadelphia

Derek Green
Councilman – At-Large
City Council of Philadelphia

Darrell L. Clarke
Council President – 5th District
City Council of Philadelphia

Maria D. Quiñones-Sánchez
Councilwoman – 7th District
City Council of Philadelphia

Kenyatta Johnson
Councilman – 2nd District
City Council of Philadelphia

Bobby Henon
Majority Leader – 6th District
City Council of Philadelphia

Cindy Bass
Councilwoman – 8th District
City Council of Philadelphia

Mark Squilla
Councilman – 1st District
City Council of Philadelphia

Jannie Blackwell
Councilwoman – 3rd District
City Council of Philadelphia

Curtis Jones, Jr.
Councilman – 4th District
City Council of Philadelphia

Brian J. O’Neill
Minority Leader – 10th District
City Council of Philadelphia

Blondell Reynolds Brown
Majority Whip – At-Large
City Council of Philadelphia

Allan Domb
Councilman – At-Large
City Council of Philadelphia

William K. Greenlee
Majority Deputy Whip – At-Large
City Council of Philadelphia

Helen Gym
Councilwoman – At-Large
City Council of Philadelphia

David Oh
Minority Whip – At-Large
City Council of Philadelphia

Al Taubenberg
Councilman – At-Large

Natalia Rudiak
Councilwoman – 4th District
City Council of Pittsburgh

Corey O'Connor
Councilman – 5th District
City Council of Pittsburgh