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P.G. Sittenfeld
Councilmember

July 11, 2016

Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552
Re: Docket No. CFPB-2016-0025

Dear Director Cordray,

I applaud the Consumer Financial Protection Bureau (CFPB) for releasing a proposed payday and car title lending rule to rein in the most abusive practices of this industry. This is a critical step forward for the 12 million Americans caught in the debt cycle each year.

As a member of Cincinnati City Council, I have seen the devastating impact that predatory payday and car title lending has on struggling families, on small businesses and on Cincinnati's economy overall. I hear the stories from families who've lost their cars, their rides to work and even their homes because of the payday loan debt trap. When families are already struggling to make ends meet, the staggering 667% APR average interest rates in Ohio make most current payday and car title loans virtually impossible to repay and still meet a family's basic needs. Yet, the direct access to bank accounts, back dated checks or access to a car title that payday lenders demand mean that families are left with little choice but to re-borrow and go deeper into a cycle of debt. Time and time again, my office hears about families who have gone hungry, gone without medicine or paid hundreds in overdraft fees after a loan payment was taken out of their account.

At the heart of the proposed rule is a common sense principle – lenders must determine whether or not a consumer has the ability to repay the loan without hardship or re-borrowing. This is a strong and critically important principle which is easy to strongly support. Basic underwriting should be applied to every covered loan with no exceptions, otherwise the cycle of coercion and re-borrowing will continue. Applying the "ability to repay" standard to every covered loan levels the playing field for payday lenders, online lenders and banks alike.

My constituents have concerns with some aspects of the current draft, however. For example, they have expressed to me their concerns about the exceptions to the aforementioned standard, including the exemption of up to six high-cost payday loans and exemptions for some longer-term loans with high origination fees. Given that even a single unaffordable loan can have a devastating financial impact on borrowers, the hope is that the "ability to repay" standard in the final rule will be applied with far more limited exceptions.

My constituents have also expressed concerns with how the proposal addresses loan flipping to use loans to pay off other loans and repeat refinancing of longer-term loans and are hopeful that these protections will be as strong as possible in the final rule.

Payday borrowers are nearly twice as likely to file for bankruptcy as people in similar financial situations and more than 92% more likely to become delinquent on their credit cards. The Bureau's own data found that one in five car title borrowers lose their car – often even after having paid the original principal back. As struggling families get caught in a cycle of debt and desperation, the ripple effects are felt throughout our community. Families struggling with debt often must turn to local governments and social services for support while payday lending funnels millions out of our local economy. In our great State of Ohio, payday and car title lenders alone are stripping over $500 million dollars in fees out of our economy.

The CFPB's proposed rule is an important step forward for millions of Americans including the people of Cincinnati struggling to escape the debt trap. My constituents and I applaud your efforts and hope to see an even stronger final rule to help protect Cincinnati's vulnerable families.

Sincerely,

PG Sittenfeld

Councilmember PG Sittenfeld