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September 28, 2016

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

Re: Chicago Federation of Labor comments on proposed rulemaking on payday, vehicle title, and certain high-cost installment loans
Docket number CFPB-2016-0025 or RIN 3170-AA40

Dear Director Cordray,

Thank you for the opportunity to submit comments in response to the CFPB's proposed rule on payday, vehicle title, and certain high cost installment loans. The Chicago Federation of Labor represents 300 unions across Chicago and Cook County, who in turn represent 500,000 working men and women. Payday and other high-cost installment loans can trap working people into a continuous cycle of debt that is hard to break free. We believe the rule is a critical first step in stopping the harms of unaffordable loans, but the rule must be strengthened to ensure it prevents the debt trap once and for all.

The core principle of the CFPB's proposal that requires lenders to ensure that a loan is affordable without having to re-borrow or default on other expenses is critically important to ending this predatory business model. However, this principle must be applied to every loan, with no exceptions and no room for future evasion. Right now, the proposed rule contains loopholes that significantly undermine this standard. Additionally, the rule exempts longer-term payday loans with high origination fees from its proposed ability to repay test. These loopholes must be closed.

We are also concerned that the proposed rule does not go far enough to prevent lenders from flipping borrowers between loans, preventing borrowers from finding a way out of debt. There should be a 60-day cooling off period, rather than just 30 days as proposed, between each short-term loan. It should also ensure that short-term loan

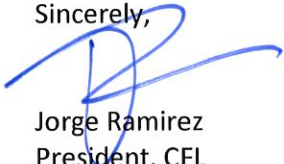
obligations do not exceed a total of 90 days every 12 months, consistent with FDIC 2005 guidelines for its banks.

Finally, the rule must be strengthened to ensure that people have enough money to live on after paying back the loan. Lenders should be required to use an objective measure for projecting a borrower's basic living expenses, rather than relying on back-end measures like default and reborrowing rates. Even low default rates are not sufficient evidence of ability to repay, given the lender's ability to coerce repayment through control over the borrower's bank account or car. At the same time, the Bureau should take care not to sanction industry-wide high rates of defaults and reborrowing by comparing one payday lender's rates only to other payday lenders' rates.

Thank you for already closing the loophole that provided an exemption from the proposed ability to repay test, included in the Bureau's preliminary outline, if loan payments are less than 5 percent of a borrower's income. Examining income only is not enough to determine if a loan is affordable.

Thank you for the opportunity to comment. We hope the CFPB will work to close the remaining loopholes and issue the strongest rule possible to stop the trap of unaffordable payday loans.

Sincerely,



Jorge Ramirez
President, CFL
Vice President, AFL-CIO