

KCRL Comments for the Proposed Rule on Payday Loans

October 5, 2016

The Kentucky Coalition for Responsible Lending (KCRL) is a broad-based coalition of 88 faith-based and community groups who have come together to fight the payday lending debt trap in the Commonwealth. The KCRL applauds the Consumer Financial Protection Bureau (CFPB) which has released its long-awaited proposed rule intended to end the payday lending debt trap. This proposed rule is a good first step to regulate payday lending on a national basis, and has the potential to save Kentucky residents millions.

In Kentucky, payday loans must be repaid within 14 days and there is no requirement that lenders determine ability to repay. At the end of the 14 days, the lender accesses the borrower's bank account directly. The typical payday borrower is unable to repay so quickly, and ends up taking out a second loan to repay the first, with additional fees. The average borrower in Kentucky ends up in the debt trap, taking out nearly 11 loans per year. On an annual basis, the cost of these loans can be as high as 400% interest. The problem in Kentucky continues to grow. In 2015, payday lenders stripped away \$117.8 million in fees, a 12% increase since 2010.

For a number of years, KCRL has advocated for changes in Kentucky state law to reduce the interest rate on payday loans to 36% on an annual basis. These efforts so far have been unsuccessful, largely due to an influential payday industry and its large cadre of lobbyists. This is why a strong federal rule would be so beneficial to Kentucky borrowers.

The proposed rule would generally move Kentucky toward the ultimate goal of safe and just lending by requiring the lender to determine the borrower's ability to repay. Alternatively, payday lenders would be permitted to issue loans without determining a borrower's ability to repay if the loans meet certain requirements, which, though better than the status quo, still would leave borrowers vulnerable to a potentially devastating product. Further, the burden of proof should lie on the lender as to whether or not the loan is truly able to be repaid – through looking at a borrower's actual income and expenses, which is the only way to ensure what a borrower can and can't afford. Even a single unpayable loan is enough to create a financial catastrophe for someone living paycheck-to-paycheck.

Advertised as a way to meet short-term financial needs, the actual business model of payday loans is to trap borrowers in debt for years on end, extracting fees that quickly add up to far more than the amount borrowed. KCRL and advocates around the country have been pushing for a rule that simply requires these lenders to do what any responsible lender does already – to determine whether borrowers are likely to be able to pay back a loan without leaving them in a dangerous financial position. That is why our coalition endorses the CFPB's decision to pursue just lending, and why we recommend any final decision be stronger than the original proposed.



We support 36% APR on Payday Loans in Kentucky!

Faith Community

African Methodist Episcopal Church Kentucky Conference
African Methodist Episcopal Church West Kentucky Conference
African Methodist Episcopal Zion Church Mid-West Episcopal District
BUILD (Building a United Interfaith Lexington through Direct Action)
Catholic Charities of Louisville
Catholic Conference of Kentucky
CLOUT (Citizens of Louisville Organized United Together)
Consolidated District of the General Association of Baptists in Kentucky
Christian Church (Disciples of Christ)
Christian Methodist Episcopal Church 2nd Episcopal District
Cumberland Presbyterian Church
Episcopal Church Diocese of Kentucky
Episcopal Church Diocese of Lexington
Evangelical Lutheran Church in America Indiana-Kentucky Synod
Jewish Community Relations Council (Louisville)
Kentucky Baptist Convention
Kentucky Baptist Fellowship

Kentucky Council of Churches
Presbyterian Church U.S.A. Mid-Kentucky Presbytery
Presbyterian Church U.S.A. Transylvania Presbytery
Presbyterian Church U.S.A. Western Kentucky Presbytery
Roman Catholic Church Archdiocese of Louisville
Roman Catholic Church Diocese of Covington
Roman Catholic Church Diocese of Lexington
Roman Catholic Church Diocese of Owensboro
St. Vincent De Paul
United Church of Christ Indiana/Kentucky Conference
United Church of Christ Ohio Conference
United Methodist Church Kentucky Annual Conference
United Methodist Church Memphis Conference
United Methodist Church Red Bird Missionary Conference
Union Church in Berea Kentucky

Organizations

AARP Kentucky
Barren River Area Safe Space
Barren River Asset Building Coalition
Bell-Whitley CAA
Bethany House Abuse Shelter
Brighton Center
Center for Economic Development, Entrepreneurship and Technology
Center for Great Neighborhoods of Covington
Center for Women and Families
Central Kentucky Housing and Homeless Initiative
Central Kentucky Coalition for Peace and Justice
Coalition for the Homeless
Community Action Kentucky
Community Ventures Corporation
Cumberland Valley Domestic Violence Services
Eastern Kentucky Asset Building Coalition
Family Foundation
Federal Home Loan Banking Cincinnati
Federation of Appalachian Housing Enterprises
Frontier Housing
Gateway Homeless Coalition, Inc.
Green River Asset Building Coalition
GreenHouse17
Habitat for Humanity, Morehead
Homeless and Housing Coalition of Kentucky
Kentucky AFL-CIO
Kentucky Asset Success Initiative
Kentucky Coalition Against Domestic Violence

Kentucky Equal Justice Center
Kentucky Habitat for Humanity
Kentucky Poverty Law Center
Kentucky Resources Council
Kentucky Youth Advocates
Lawrence & Augusta Hager Educational Foundation
Lexington Fair Housing Council
Low Income Housing Coalition of East Kentucky
LKLP Safe House
Louisville Asset Building Coalition
Louisville Urban League
Mountain Assn. for Community Economic Development
Merryman House
Metropolitan Housing Coalition
Metro United Way
NAACP – Louisville/Jefferson County Branch
N. KY Community Action Commission
OASIS
People's Self Help Housing, Inc.
RAISE KY
Safe Harbor
Sanctuary
Shelter of Hope
SpringHaven
The Public Life Foundation of Owensboro
Turning Point
Urban League of Lexington-Fayette County
Welcome House