



CITY OF ST. PETERSBURG

CITY OF ST. PETERSBURG, FLORIDA

Office of the Mayor

RICK KRISEMAN, Mayor

September 26, 2016

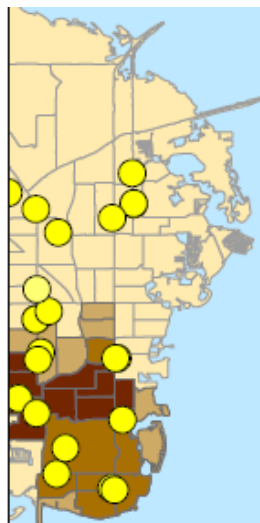
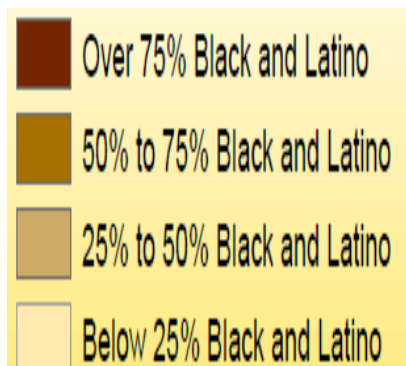
The Honorable Richard Cordray  
Director  
Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552

RE: Docket Number: CFPB-2016-0025 or RIN 3170-AA40

Dear Director Cordray:

On behalf of the citizens of St. Petersburg, Florida, I am writing in support of the Consumer Financial Protection Bureau (CFPB)'s most recent proposed rules that are intended to rein in the most predatory practices of high cost lenders, including payday loan and car title loan lenders. I also urge the Bureau to strengthen the rules by closing loopholes that lenders will use to evade the protections for consumers.

St. Petersburg, Florida, situated within the Metropolitan Statistical Area that includes Tampa and Clearwater, is the fifth most populous city in Florida and growing. As of January 2016, St. Petersburg had 23 payday loan storefronts within our city limits, not counting the numerous storefronts in the surrounding MSA. In fact, our region of the state has the highest concentration of payday loan stores in Florida. As you can see from the map below, these stores are throughout our city, but clearly concentrated in some of our black and Latino neighborhoods:



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With the high number of storefronts preying on our residents and the concentration of the stores in communities of color, St. Petersburg citizens are understandably concerned about the debt trap these predatory loans cause for our citizens. In fact, our City Council passed a resolution in support of a strong payday loan rule by the CFPB because of this shared concern (see attached).

I believe that the core tenet of the CFPB proposed rule, a determination of an ability to repay (ATR) the loan, is crucial to protection of our citizens. However, this requirement should be applied to all the covered high cost loans so loopholes to sidestep the ATR are not abused by payday and other predatory lenders.

Further, providing ample time between loans is crucial for keeping our citizens out of a debt trap. In Florida, consumers can take out another loan after only 24 hours of having a balloon payment automatically deducted from their bank account for the previous loan. As one borrower from our area of the state said, "Payday loans are a trap. They don't get you out of the hole; they help keep you in the hole." Data in Florida shows that 83% of borrowers take out almost 8 loans a year – clearly a debt trap. The CFPB proposes 30 days between loans, which I support. I advocate that any re-borrowing after a balloon payment should carry a 60 day waiting period, as the Bureau suggested in its preliminary proposal.

The proposed rules are an important step toward protecting consumers from predatory high cost loans. St. Petersburg, Florida supports those rules and suggests strengthening them as outlined above. I appreciate the opportunity to have our voice heard on this consumer protection issue.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick Kriseman", with a long horizontal stroke extending to the right.

Rick Kriseman, Mayor  
City of St. Petersburg

A RESOLUTION OF THE CITY COUNCIL OF ST. PETERSBURG, FLORIDA, IN SUPPORT OF THE CONSUMER FINANCIAL PROTECTION BUREAU'S REGULATIONS ADDRESSING PAYDAY LOANS AND OTHER HIGH COST LOANS; URGING THE BUREAU TO ISSUE THE STRONGEST RULES POSSIBLE AGAINST THESE PREDATORY LOANS; INSTRUCTING THE CITY CLERK TO SUBMIT A COPY OF THIS RESOLUTION TO CERTAIN PEOPLE AND ENTITIES; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, data collected by the Florida Office of Financial Regulation ("OFR") shows that payday loans in Florida carry extraordinarily high interest rates, typically charging borrowers almost 300% annualized interest for a loan of up to \$500; and

WHEREAS, payday lenders do not determine if borrowers have the ability to repay the loan, but instead rely in most cases on seizing payment directly from borrowers' bank accounts or paychecks to repay the loans, leaving borrowers at risk of re-borrowing to avoid a cycle of debt; and

WHEREAS, the OFR data shows that borrowers in Florida typically take out 7 or more payday loans per year, indicating borrowers are trapped in debt; and

WHEREAS, the OFR data also shows that payday loans made in Florida drained over \$311 million in fees alone from the borrowers during a twelve-month period spanning 2014–2015, a significant loss to those borrowers and the overall Florida economy; and

WHEREAS, the Consumer Financial Protection Bureau ("CFPB") is directed by the Dodd–Frank Act to create rules regulating consumer financial products, though the CFPB, by law, cannot address the specific costs and fees charged by predatory lenders; and

WHEREAS, the CFPB, on June 2, 2016, proposed national rules to rein in the worst predatory practices of payday loans, car title loans, and other high-cost loans; and

WHEREAS, these proposed rules are a good start for addressing predatory loans but contain loopholes that allow certain unfair and abusive practices to continue; and

WHEREAS, the proposed rules, at their core, create an ability-to-repay requirement for borrowers, which is similar to requirements placed on borrowers for most other loans and helps preserve room in borrowers' budgets for food, utilities, medical care, and other living expenses; and

WHEREAS, the proposed rules allow a lender to avoid the ability-to-repay requirement for up to six high-cost payday loans per borrower, per year; and

WHEREAS, the proposed rules allow the continued use of “leveraged payment mechanisms” through which lenders seize funds directly from a borrower’s bank account or paycheck, creating a false appearance of good payment history and undermining the protections provided by the new ability-to-repay requirement; and

WHEREAS, if the CFPB rules are not strengthened, borrowers will not be given adequate protection from these high-cost loans.

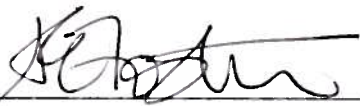
NOW THEREFORE BE IT RESOLVED by the City Council of the City of St. Petersburg, Florida, that this Council hereby urges the CFPB to create a strong rule to protect consumers by:


- (1) applying the ability-to-repay requirement to as many of the covered loans as possible in order to protect consumers from falling into a cycle of debt;
- (2) limiting the use of leveraged payment mechanisms to seize funds directly from bank accounts and paychecks in a manner that undermines the new ability-to-repay requirement; and
- (3) creating the strongest rule possible to protect the citizens of our City from high-cost, predatory loans.

BE IT FURTHER RESOLVED that this Council hereby instructs the City Clerk to submit a copy of this Resolution to the Pinellas County, Florida, Board of County Commissioners; to CFPB Director Richard Cordray; and to the request for public comment on this proposed rule (<https://www.regulations.gov/comment?D=CFPB-2016-0025-0001>), which closes at the end of October 7, 2016.

This Resolution shall become effective immediately upon its adoption.

Adopted at a regular session of the City Council held on the 4<sup>th</sup> day of August, 2016.

  
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Amy Foster, Chair-Councilmember  
Presiding Officer of the City Council

ATTEST:   
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Chan Srinivasa, City Clerk

