



FOR IMMEDIATE RELEASE, October 12, 2017  
Contact: Margaux Morisseau, (401) 451-7760

## CFPB Action on Payday Lending Will Help Rhode Island Families

***New Federal Consumer Protection will reduce the harms of the short-term payday loan debt trap, but a state-level 36% APR rate cap is still needed***

Last week, the Consumer Financial Protection Bureau (CFPB) issued a rule with protections that will reduce the harms of short-term payday to RI families. The RI Payday Lending Reform Coalition welcomes this action and calls on RI lawmakers to pass an interest rate cap of 36% or lower, which has effectively protected residents of many other states from the payday debt trap.

Payday lending costs RI families **\$7,551,275** per year in abusive fees. The loans drive borrowers into financial distress by trapping them in long-term debt at triple-digit interest rates. Three quarters of all payday loan fees are from borrowers with more than ten loans in the course of a year.

At the heart of the CFPB rule is the common sense principle that lenders check a borrower's ability to repay before lending money – something [supported by more than 70% of Republicans, Independents, and Democrats](#).

"Predatory payday lending traps too many Rhode Islanders in a cycle of long-term, unaffordable debt," said Rhode Island General Treasurer Seth Magaziner. "At minimum, lenders should determine whether consumers have the ability to repay their loans. I commend the Consumer Financial Protection Bureau for taking steps to protect consumers."

"The payday business model is dependent on locking borrowers in a debt trap – turning the dream of a quick fix into a nightmare for many RI families. Payday borrowers are more likely to experience delinquencies on other bills, involuntarily closed bank accounts, delayed medical care, and bankruptcy. The Consumer Bureau's protections are a necessary first step toward saving families from this financial free fall," said Reverend Don Anderson of the RI State Council of Churches. "In order to fully stop the payday loan debt trap, RI must enact and vigilantly defend an interest rate cap of 36% or lower on all loans, and Congress also should enact a strong interest rate cap. While the Consumer Bureau's rule will protect consumers from some of the most abusive behavior by predatory lenders, these additional steps are needed to liberate RI and all American families from the scourge of legalized loansharking."

While this rule does not address longer-term payday loans, the Consumer Bureau expresses its intent to do so. As noted in the rule: "[T]he Bureau also has considerable concerns about certain lending practices with respect to other covered longer-term loans...and will continue to scrutinize those practices under its supervision and enforcement authority and in a future rulemaking." ([Page 203](#))

And further: "While such loans differ in certain ways from the loans covered in this final rule, the Bureau remains concerned that failing to underwrite such products may nonetheless pose substantial risk for consumers. The Bureau will continue to gather evidence about the risks and harms of such products for consideration as a general matter in a later rulemaking, and will continue in the meantime to scrutinize such lending for potential unfair, deceptive, or abusive acts or practices pursuant to its supervisory and enforcement authority." ([Page 304](#))

The full CFPB rule can be found here: <https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/payday-vehicle-title-and-certain-high-cost-installment-loans/>

###