Congress of the United States
Washington, DC 20515

February 3, 2015

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

Dear Director Cordray:

The Consumer Financial Protection Bureau (CFPB) has begun to use the authority granted to it under the Dodd-Frank Act to regulate the short-term lending industry, we feel that certain key principles should be adhered to in any rulemaking.

As you have stated yourself, the short-term lending industry provides a vital service to consumers in states that have enacted laws allowing this product. Consumers choose short-term loans to meet their needs, often as their best option compared to their other product choices. Having a well-regulated short-term lending industry is important to both consumers and the US economy.

With that in mind, we believe there are five key principles that the Bureau must adhere to as it drafts its short-term lending rules. Adhering to these principles will result in rules that protect consumers while maintaining their access to credit, and protect jobs and small businesses. These five principles are:

1. **MAINTAIN A DATA-DRIVEN APPROACH**

   All rules or regulations for the short-term lending industry, or any other industry, should be based on quality and transparent research and data. Supervisory and regulatory decision-making needs to result from large scale data analysis and tested research, not anecdotal or agenda-driven rhetoric. Where such clear data-driven results are not present supporting the need for regulatory intervention in certain areas of the short-term lending market, the CFPB should engage in additional research and data collection before beginning the rulemaking process.

2. **CONSIDER THE IMPACT ON SMALL BUSINESSES**

   As the CFPB formulates rulemaking for the short-term lending industry, we urge you to consider any potential impact on small businesses. When businesses have to devote excessive time and energy to keep up with compliance costs, this lessens their ability to provide access to credit to consumers, and everyone loses. Our neighborhoods need to continue to have access to all of these services, and they need to be provided by regulated and licensed companies. We want to continue to see neighborhood financial centers that provide stability and employees that consumers can trust. These small businesses not only provide access to credit through use of their own capital, but also employment opportunities.

3. **CONSIDER THE IMPACT ON RURAL COMMUNITIES**

As part of the Dodd-Frank Act, in prescribing a rule, the CFPB must consider the impact on consumers in rural areas *(See Section 1022 (b)(2)(A)(ii))*. Overzealous regulations can have the unintended consequence of disproportionately impacting rural or underserved areas. If the CFPB restricts options for consumers within their neighborhood or area, they will often turn to illegal, unscrupulous lenders to meet their credit needs.

Colorado is such an example where recently-enacted short-term lending laws have led to rural areas being disproportionately adversely impacted. After new regulations in Colorado went into effect, the number of stores in Colorado was cut in half. This has resulted in consumers being forced to travel great distances to receive loans, or losing the benefit of this type of credit because of lack of access in their area.

4. **CONDUCT COST/BENEFIT ANALYSIS**

Any proposed rule for the short-term lending industry must contain a thorough qualitative and quantitative cost-benefit analysis. We are concerned that overly aggressive restrictions on the short-term lending industry will reduce access to credit in the marketplace. Excessive restrictions could create a business environment that is not economically viable for many lenders, and one that disproportionately impacts companies, including small businesses, forcing them to shut down operations. Such a result would eliminate a critical choice for many consumers who rely on short-term credit.

5. **CONSIDER STATE MODELS**

As the CFPB studies payday loans and how consumers use them, we ask you to review the many states that have passed short-term lending laws and use these as a model for any national regulations. We believe that these states have set an example for regulators of successfully balancing the dual needs of consumer protection and access to credit. The short-term credit market is well-regulated in many states due to years of study and discussion by lawmakers and regulators who have worked with consumer groups, the industry and other stakeholders to ensure the right balance of access to credit with consumer protections. The CFPB should be careful to consider state laws, which reflect the wishes of American citizens using the product within their state.

We encourage the CFPB to continue to study the short-term lending industry with the goal of being able to provide workable and sustainable regulation for this needed source of consumer credit. Going forward, it is important for you and for all of us to continue to learn about the nuances of this industry, and how we can all work together to better serve consumers in need of short-term loans.

Sincerely,

Steve Stivers
Member of Congress

Randy Neugebauer
Member of Congress

Blaine Luetkemeyer
Member of Congress

Scott Garrett
Member of Congress

Bill Huizenga
Member of Congress

Lynn Westmoreland
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