

# United States Senate

WASHINGTON, DC 20510

March 27, 2018

Leandra English  
Acting Director, Consumer Financial Protection Bureau  
1700 G Street N.W.  
Washington, D.C., 20552

Mick Mulvaney  
Director, Office of Management and Budget  
725 17<sup>th</sup> Street N.W.  
Washington, D.C., 20503

Dear Ms. English and Mr. Mulvaney:

We write to express concern regarding the announcement that the Consumer Financial Protection Bureau (CFPB) will begin the process of reconsidering and eventually repealing the Bureau's recently finalized Payday, Vehicle Title, and Certain High-Cost Installment Loans rule, also known as the "payday lending rule." We view this action as well as the dismissal of ongoing enforcement actions against predatory lenders as antithetical to the CFPB's mission.

Research has shown that short-term payday loans trap consumers in high-interest debt for long periods of time and can result in serious financial harm, including increased likelihood of bankruptcy.<sup>1</sup> Nearly 12 million Americans use payday loans each year, incurring more than \$9 billion in fees.<sup>2</sup> While short-term loans may help families facing unexpected expenses, predatory short-term loans with interest rates exceeding 300 percent often leave consumers with a difficult decision: defaulting on the loan or repeated borrowing. According to the CFPB, nearly 80 percent of payday loans are renewed within 14 days, and at least 27 percent of borrowers will default on their first loan.<sup>3</sup> The CFPB also found that nearly 20 percent of title loan borrowers have had their vehicles seized by the lender when they are unable to repay this debt.<sup>4</sup> The majority of all payday loans are renewed so many times that borrowers end up paying more in fees than the amount they originally borrowed.<sup>5</sup> This predatory business model exploits the financial hardships facing hard working families, trapping them into long-term debt cycles.

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<sup>1</sup> Skiba, Paige Marta and Tobacman, Jeremy, Do Payday Loans Cause Bankruptcy? (November 9, 2009). Vanderbilt Law and Economics Research Paper No. 11-13. Available at <https://ssrn.com/abstract=1266215>

<sup>2</sup> Pew Charitable Trusts. "Payday Loan Facts and the CFPB's Impact," January 14, 2016. Available at: [www.pewtrusts.org/en/research-and-analysis/fact-sheets/2016/01/payday-loan-facts-and-the-cfpbs-impact](http://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2016/01/payday-loan-facts-and-the-cfpbs-impact)

<sup>3</sup> Consumer Financial Protection Bureau Data Point: Payday Lending. CFPB Office of Research, March 2014. Pages 9, 27. Available at: [http://files.consumerfinance.gov/f/201403\\_cfpb\\_report\\_payday-lending.pdf](http://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf)

<sup>4</sup> Consumer Financial Protection Bureau: Single Payment Vehicle Title Lending. May 2016. Page 4. Available at: [http://files.consumerfinance.gov/f/documents/201605\\_cfpb\\_single-payment-vehicle-title-lending.pdf](http://files.consumerfinance.gov/f/documents/201605_cfpb_single-payment-vehicle-title-lending.pdf)

<sup>5</sup> Consumer Financial Protection Bureau Press Release, March 25, 2014. Available at: <https://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-four-out-of-five-payday-loans-are-rolled-over-or-renewed/>

The recent financial crisis, during which Americans lost more than \$19 trillion in household wealth,<sup>6</sup> demonstrated clearly the need for a federal agency whose sole mission is to protect American consumers in the financial marketplace. Congress created the CFPB, granting it the authority to crack down on these types of predatory lending practices.

After conducting a five-year study and reviewing more than 1 million public comments, the CFPB used this vested authority to issue a rule in October 2017 requiring payday and car title lenders to ensure that consumers have the ability to repay each loan and still manage to meet their basic living needs and major financial obligations without needing to borrow again over the next 30-day period. This commonsense requirement is coupled with protections that provide consumers with reasonable repayment options common with other types of credit.

We stand with a majority of our constituents in supporting strong consumer protections for payday loans and oppose efforts to repeal or undermine the final rule, which is an important step in protecting consumers from predatory payday, title loan, and high-cost installment lenders. Bipartisan polling shows that the CFPB's action to curb predatory lending reflects the will of the vast majority of Americans. According to a 2017 survey, 73 percent<sup>7</sup> of Americans support the CFPB's rule requiring payday lenders to make sure that consumers have the ability to repay before extending a loan.

We understand that the CFPB is delaying the rule by granting waivers to companies who would otherwise be taking steps to begin complying with the rule, and that the Bureau may be offering the payday loan industry an opportunity to undermine the rule entirely. We view these actions as further efforts to undermine the implementation of this important consumer protection rule.

We are also troubled by the CFPB's recent enforcement actions related to payday lending. The CFPB recently decided to drop a lawsuit filed by the Bureau in 2017 against four payday lending companies in Kansas. These companies were being sued for flouting state laws by running illegal payday lending operations, including charging interest rates between 440 percent and 950 percent. The CFPB also is reportedly halting, without any explanation, a nearly four-year CFPB investigation into allegations that a South Carolina-based payday loan company engaged in deceptive lending practices.<sup>8</sup>

The CFPB's role in serving as a watchdog for American consumers while making our financial markets safe, fair, and transparent continues to be of critical importance. To this end, we urge you to end any efforts to undermine and repeal this critical consumer protection.

Sincerely,

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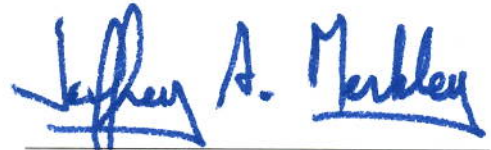
<sup>6</sup> U.S. Department of the Treasury: The Financial Crisis Response in Charts. April 2012. Page 1. Available at: [https://www.treasury.gov/resource-center/data-chart-center/Documents/20120413\\_FinancialCrisisResponse.pdf](https://www.treasury.gov/resource-center/data-chart-center/Documents/20120413_FinancialCrisisResponse.pdf)

<sup>7</sup> Polling by Lake Research Partners, June 2017, available at: <http://ourfinancialsecurity.org/wp-content/uploads/2017/07/topline.AFRCL.timeseries.f.2017.07.24.pdf>

<sup>8</sup> <https://www.businesswire.com/news/home/20180122006623/en/Consumer-Financial-Protection-Bureau-Investigation-World-Acceptance>



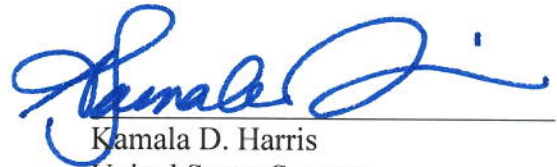
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United States Senator



Jeffrey Merkley  
United States Senator



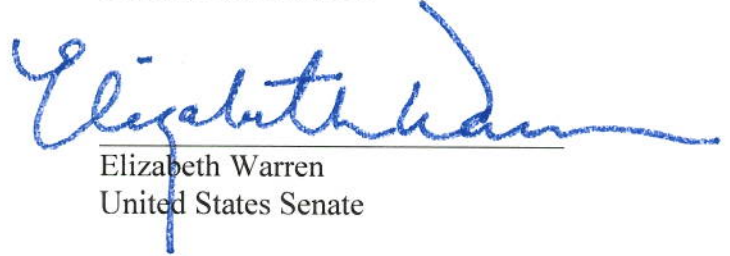
Sherrod Brown  
United States Senator



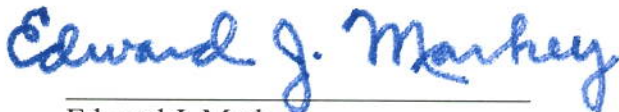
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Elizabeth Warren  
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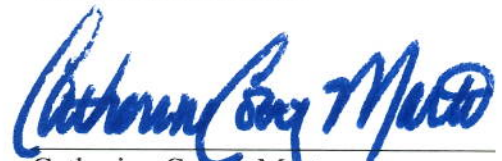
Chris Van Hollen  
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United States Senator



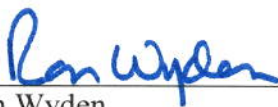
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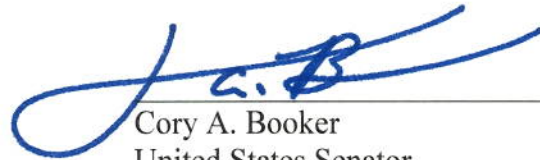
Bernard Sanders  
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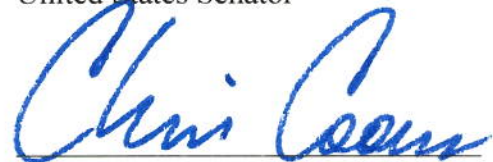
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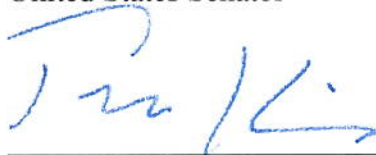
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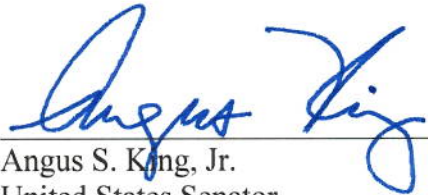
Christopher A. Coons  
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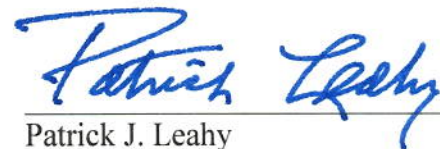
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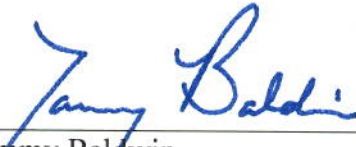
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