



COALITION ON HUMAN NEEDS

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October 7, 2016

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

RE: Proposed Payday Loan Rule/Docket No.: CFPB-2016-0025 or RIN 3170-AA40

Dear Director Cordray:

The Coalition on Human Needs (CHN) strongly appreciates the work of the Consumer Financial Protection Bureau, which under your leadership has done a tremendous amount to protect low-income people and right wrongs saving consumers billions of dollars. The proposed rule to limit the abuses of payday and car title loans is an important step forward. [CHN's members](#) – national organizations including faith groups, human service providers, labor, civil rights, policy experts and other advocacy groups concerned with meeting the needs of low-income people – understand how important it is to require that payday and car title lenders apply an ability-to-pay test based on income and expenses before making a loan. We appreciate that you apply this affordability standard to short- and long-term payday loans and car title loans.

However, we believe it is critically important to strengthen the rule to eliminate loopholes that would undermine the rule's intent. This matters both for the effectiveness of your CFPB's proposed rule, but also to prevent payday and car title lenders from using the rule to undermine strong protections against such predatory lending in 14 states plus the District of Columbia.

The Coalition on Human Needs has recently published a report, [The High Cost of Being Poor in the U.S.](#), which highlights payday and car title lending as prominent examples of confiscatory costs being inflicted on vulnerable low-income borrowers. In addition, we have worked with partner groups in more than a dozen states to jointly issue state versions of this report. In working with our state partner in Pennsylvania, which has strong protections against payday loans, we learned how active payday lenders have been in working to undo existing protections, and how concerned low-income advocates are there that the CFPB proposed rule will make it easier for the industry to weaken existing state law. That would be a most regrettable consequence of failing to strengthen the current proposed rule.

Thanks to your very effective research, we now know that the average payday loan borrower is trapped into 11 loans a year because they cannot repay them and also afford the most basic necessities. But the proposal would exempt six payday loans from the ability-to-repay requirement. **We strongly urge you not to exempt any of these loans from the requirement.**

We also urge you to strengthen the proposed rule's protections against flipping of short- and longer-term loans. We support a longer waiting period than the 30 days in the proposal, such as the 60-day waiting period in the preliminary rule.

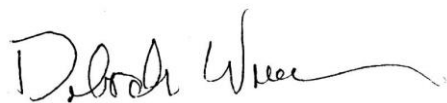
Please also strengthen the standards on which lenders will be assessed. We support the rule's protections against a lender setting unrealistically low estimates for living expenses, but urge you to strengthen the provision that only requires lenders not to have default or re-borrowing rates higher than other high-cost lenders – a very low bar.

Our analysis of poverty trends shows that a number of situations can cause a spiral into poverty for low- and moderate-income workers or retirees and their families. Inability to meet emergency expenses, for health care or car repair, for example, is one such example. If people resort to payday or car title loans in order to cope with these emergencies, their spiral into poverty will almost certainly worsen. These predatory loans are of particular concern to the Coalition on Human Needs because of our focus on low-income people. As our report on the high cost of being poor cited, nearly half of payday borrowers have family incomes of under \$30,000, and that nearly one in five borrowers relied on Social Security or another form of government assistance. Payday lenders have been shown to be 2.4 times more concentrated in African American and Latino communities. The spiral into poverty is exacerbated when these loans result in overdraft charges in checking accounts (and eventual closing of those accounts) or loss of a vehicle.

CFPB's proposed rule is an extremely important step. CHN's member organizations represent at least hundreds of thousands of people nationwide, and we stand with you in your efforts to curb rampant abuses in this industry. We respectfully believe that the best way to do that is to strengthen the proposed rule as described above.

The Coalition on Human Needs has also joined with hundreds of organizations in signing a letter with similar comments: <http://stopthedebttrap.org/wp-content/uploads/2016/10/sign-on-comment.pdf>

Sincerely yours,

A handwritten signature in black ink, appearing to read "Deborah Weinstein", with a long horizontal flourish extending to the right.

Deborah Weinstein
Executive Director