RESULTS
the power to end poverty

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1101 15TH ST NW, Suite 1200 ■ Washington, DC 20005 ■ T (202) 783-7100 ■ www.results.org

May 15, 2019

Director Kathy Kraninger
Comment Intake
Bureau of Comsumer and Financial Protection
1700 G Street NW
Washington, DC 20552

RE: Proposed Rule: Payday, Vehicle Title, and Certain High-Cost Installment Loans (Docket No. CFPB-2019-0006, RIN 3170-AA80)

Dear Director Kraninger:

I am writing on behalf of RESULTS to comment in opposition to CFPB's proposed rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans. As an anti-poverty organization, we are deeply concerned about the proposed rule's potential harm to low-income Americans – we know that access to financial services, health care, nutrition assistance, housing programs, and other critical supports is critical in efforts to end poverty. We urge that the rule be withdrawn, mirroring the mission of the Bureau to, "protect consumers from unfair, deceptive, or abusive practices."

RESULTS creates the public and political will to end poverty by empowering individuals to exercise their personal and political power for change. We support a network of more than 115 chapters with over 650 active volunteers (and an additional 7,000 members in our e-mail action network) across the U.S. Our grassroots educate members of congress, work with the media, and build awareness within their communities on basic nutrition and health programs along with budget and tax policies. Our grassroots network includes a specific focus on engaging young leaders and elevating the voices of low-income Americans who have firsthand experience of poverty.

As an organization we are concerned whenever Americans across the country are unfairly and unnecessarily forced to make decisions that put themselves and their families at risk. Short-term, high interest loans like payday and vehicle title loans fall in those categories by charging consumers triple-digit interest rates, steep fees, and trapping borrowers in debt cycles.

After years of research and stakeholder collaboration a proposed rule was issued to protect the earnings of hard-working Americans. Short-term loans, like payday loans, are costly to the 12 million borrowers that use these products annually. Most borrowers end up caught in a debt trap, paying $520 on average in fees on loans of only $375, meaning that borrowers pay almost 1.5 times more in fees than the value of their original loan. Although these loans are marketed as two-week long loans, the majority of borrowers spend about five months in debt and take out 11 loans or more per year to pay off their original loan (Pew, 2016).

Based on the need to protect borrowers from these disastrous outcomes, the 2017 rule required that lenders offering short-term loans examine the ability of borrowers to pay back the loan amount. Industry standard is to evaluate borrowers' ability to repay (ATR) before administering a loan. This practice is notably absent in the short-term loan industry causing long-term financial harm to consumers. This major absence propels borrowers into inescapable borrowing cycles, constraining their ability to generate savings for long-term wealth.

Wealth creation is a cornerstone of economic advancement. Yet, large wealth disparities exist along racial lines. Data from the Survey on Consumer Finances shows that White households have nearly ten times more net worth than Black households (Federal Reserve Board, 2017). Wealth is an essential tool that allows households to save for and invest in their future. It is a key determinant for the quality of school children attend, college attendance and graduation rates, neighborhood safety, job placement and quality, among other things. When lenders are not required to check borrowers' ability to repay, they catch borrowers in debt traps. Diverting resources to debt payment bars households from accessing the long-term benefits of wealth building and perpetuates poverty.

Loans create access to capital and provide many consumers with a reliable way to build credit. Short-term capital is sometimes used as a support for those struggling to make ends meet in low-wage jobs, working irregular hours, or are striving to find work. Yet, all too often short-term loans, like payday and vehicle title loans, overburden consumers in a debt rather than empower them with the tools to improve their financial situations. RESULTS strongly opposes efforts that harm low-income consumers and create conditions that can lead to poverty. The role of the CFPB is to protect consumers from predatory practices that harm everyday Americans. This proposed rule change goes against the founding principles of the bureau and erodes government's role of supporting and protecting its citizens.

The proposed rule harms consumers and undermines the mission of the CFPB and the language of the Dodd-Frank Act by needlessly allowing lending agencies to drain precious resources from hard-working Americans. Our advocates know – many from lived experience – the importance of maintaining financial security and feel strongly that we must protect and expand effective anti-predatory practices.

The original 2017 rule was a welcomed change. Pew reports that 8 in 10 borrowers favor loan payments that only have up a small portion of one's paycheck. Today, borrowers pay 36 percent of their paycheck towards the original loan. This leaves little room for households to pay regular expenses or save for the future. Walking back this rule change is not only bad policy, it is unwanted by everyday Americans.

As an organization deeply committed to ending poverty and creating opportunity, with a focus on understanding the root causes of racial wealth inequality, **RESULTS is deeply concerned about the impact of the proposed changes on low-income people and communities of color.** Rather than evidence-based policymaking, the proposed rule would cause great harm to individuals, families, and communities, without a full rationale or calculation of the potential harm.

RESULTS believes that allowing companies to trap hard-working Americans in financial hardship is not only abusive but economically damaging. The Bureau should immediately withdraw this proposal, and dedicate its efforts to advancing policies that strengthen—rather than undermine—the ability of people to support themselves and their families in the future.

Thank you for the opportunity to submit comments on the proposed rulemaking. Please do not hesitate to contact me to provide further information.

Sincerely,

Meredith Dodson
Director of U.S. Poverty Campaigns
RESULTS
1101 15th Street NW Suite 1200
Washington, DC 20005
(202) 783-7100 x116
mdodson@results.org
http://www.results.org/

Mackenzie Aime
Emerson National Hunger Fellow for U.S. Poverty Campaigns
RESULTS Education Fund
1101 15th Street NW Suite 1200
Washington, DC 20005
maime@results.org
http://www.results.org/