Congress Moves to Protect Predatory Payday Lenders’ Unaffordable 300% Loans

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Resolution Filed to Block Consumer Bureau’s Ability-to-Pay Rule

Washington – Today, a resolution was filed in the U.S. House of Representatives that would block new consumer protections adopted by the Consumer Financial Protection Bureau that would rein in predatory 300% annual percentage rate (APR) payday loans.

“Americans of all political persuasions should be outraged at the members of Congress who are trying to block modest protections for predatory 300% loans that put families into a debt trap,” said Lauren Saunders, associate director of the National Consumer Law Center. “Ordinary people, whether Republican or Democrat, liberal or conservative, support reform of 300% loans that prey on working families living paycheck to paycheck. The consumer watchdog’s rule adopts common-sense protections that responsible lenders already follow by considering the borrower’s ability to repay the loan. Congress should not side with predatory lenders over Americans.”

The resolution was filed by Rep. Dennis Ross (R-Fla.) and lists five co-sponsors: Rep. Alcee Hastings (D-Fla.), Tom Graves (R-Ga.), Henry Cuellar (D-Texas), Steve Stivers (R-Ohio) and Collin Peterson (D-Minn.).

“Families in Florida, Minnesota, Ohio and Texas pay billions of dollars in fees to payday lenders who put them into a cycle of debt they cannot escape, and Georgia families lose their cars to predatory auto title lenders. It is outrageous that legislators in these states would block common sense rules that lenders consider borrowers’ ability to repay their loans,” Saunders added. Research by the Center for Responsible Lending shows that payday and auto title loans drain $311 million a year from families in Florida, $200 million in Georgia, $10.6 million in Minnesota, $503 million in Ohio, and $1.7 billion in Texas.

The public overwhelmingly supports reform of the payday loan industry. 73% of Americans support requiring payday lenders to check a borrower’s ability to pay before lending money and over 70% of both Democrats and Republicans support the Consumer Bureau rule. In November 2016, 76%of South Dakota voters voted to adopt a 36% interest rate cap in that state, a higher percentage of the vote than President Trump received. Montana voters did the same in 2010, another conservative election year.

The Consumer Bureau’s rule primarily applies to loans of 45 days or less. The rule requires lenders to consider the borrower’s income, major debts and living expenses and make a reasonable determination that the borrower can afford to repay the loan. Lenders are also allowed to make up to six loans a year without considering ability to repay. The rule has exemptions for many credit union and community bank loans.

The resolution was filed under the Congressional Review Act, which allows Congress to block rules on a fast track schedule without the possibility of a filibuster. If the resolution passes, it would block the Consumer Bureau from ever adopting substantially similar rules in the future without congressional approval.

Read the CFPB press release and factsheet summarizing the rule on payday loans and the full CFPB rule on payday loans.

Learn more about NCLC’s body of work on high-cost short term loans.