In Comprehensive Official Comment Letter, Broad Coalition Rebukes Trump-appointed CFPB Director's Plan to Gut Payday Loan Rule

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CFPB is required to consider comments on its plan, which would eliminate protections from 300% APR payday loan debt traps

House Oversight and Reform subcommittee hearing held on the proposal

WASHINGTON, D.C. – The National Consumer Law Center (NCLC), as part of a coalition of civil rights, consumer, and labor groups, submitted an official comment letter (link to executive summary) to the Consumer Financial Protection Bureau (CFPB), excoriating CFPB Director Kathy Kraninger's plan to gut a 2017 CFPB rule that was issued to stop payday loan debt traps. The coalition's comment letter, submitted on the last day of the comment period, is a comprehensive rebuttal to Kraninger's rationale for rolling back the Payday Rule. The letter shows how her proposal fails to account for ample evidence of consumer harm of these 300%+ APR loans and abandons the CFPB's core mission. Select quotes from the comment are included below. More than 420 community, civil rights, and consumer groups across the nation sent a separate comment letter opposing the CFPB's proposed changes.

The proposal would rip out the heart of the 2017 payday rule–the commonsense requirement that a lender must check to see if a borrower can repay a loan before issuing it (an "ability-to-repay" standard).

Along with NCLC, signatories to the letter are: Center for Responsible Lending, Public Citizen, Consumer Federation of America, American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), Americans for Financial Reform Education Fund, Leadership Conference on Civil and Human Rights, League of United Latin American Citizens (LULAC), NAACP, National Association for Latino Community Asset Builders, National Coalition for Asian Pacific American Community Development (National CAPACD), and U.S. PIRG.

The comment letter states:

"The Bureau spent over five years engaging in extensive information gathering, public input and analysis before finalizing a rule to address the unfair and abusive practice by payday and vehicle title lenders of making loans without considering ability to repay….

"The Proposal—a plainly outcome-driven, 47-page exercise in grasping for straws—has offered no reasonable basis to rescind that Rule.

"The Proposal never disputes the harms of the debt trap. But the Proposal, without basis, would permit those harms to continue. Payday and title lenders' practice of making loans without considering ability to repay causes serious and widespread harm. Payday and vehicle title lenders turn responsible lending on its head, creating a debt trap by design that is the core element of their business model. The overwhelming majority of payday and auto vehicle loans are made to borrowers caught in a debt trap because they cannot afford to repay their loans on their initial terms….

"And lenders' unfair and abusive practice causes particular harm to financially vulnerable communities, including older Americans, those on a fixed income, and communities of color….

"The Proposal abandons the Bureau's core statutory mission of protecting consumers and shows an almost exclusive focus on the interests of payday and vehicle title lenders."

Linked here is map showing the APR of a typical payday loan in those states without strong interest rate caps.

A House Oversight and Reform subcommittee held a hearing yesterday entitled **"**CFPB's Role in Empowering Predatory Lenders: Examining the Proposed Repeal of the Payday Lending Rule**."**