Court to CFPB: Payday Lending Rule Compliance Date Stays Intact

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WASHINGTON, D.C. – The U.S. District Court for the Western District of Texas today ruled against the request by Mick Mulvaney, the Community Financial Services Association of America, and the Consumer Service Alliance of Texas to delay the compliance date for the Consumer Financial Protection Bureau's rule on payday loans.

This spring, industry groups filed suit to invalidate the payday and car title rule and block the consumer bureau from implementing it. Then, the consumer bureau teamed up with the industry groups to ask the judge to stay the payday rule, without litigation. If the court had sided with Mulvaney and the industry and stopped the rule from moving forward, payday lenders would be able to continue to use harmful business models to keep distressed borrowers in a cycle of debt. Consumer advocates and civil rights organizations are calling on the consumer bureau to implement the rule as planned (effective August 19, 2019) to protect consumers from predatory lenders.

The consumer bureau issued the rule last October following broad stakeholder input and more than five years of extensive research confirming that these loans trap borrowers in unaffordable debt, causing severe financial harm. At the heart of the rule is the commonsense requirement that lenders check a borrower's ability to repay before lending money. In a 2017 poll of likely voters, more than 70 percent of Republicans, Independents, and Democrats said they support this idea. The requirement helps to ensure that a borrower can repay without re-borrowing and without defaulting on other expenses—that is, without getting caught in a debt trap.

The Stop the Debt Trap campaign, made up of more than 750 organizations from across the country, released the following statement:

"The consumer bureau, under the direction of Mick Mulvaney, should never have made this transparent attempt to destroy an important consumer protection around payday lending. Nonetheless, we're heartened that a federal judge rejected Mulvaney's attempt, in partnership with predatory payday lenders, to evade the requirements of the Administrative Procedures Act. "If they had succeeded in persuading the court, Mulvaney and the payday industry would have rolled back an important consumer protection with zero public input. By contrast, the payday rule as it currently stands was the subject of more than five years of public outreach, analysis and comment."

Public Citizen, Center for Responsible Lending, the National Consumer Law Center, and Americans for Financial Reform Education Fund last week filed an amicus brief asking the judge not to stay the rule.