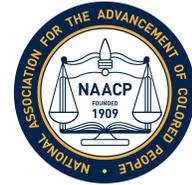




Consumer Federation of America



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Contact: Caren Benjamin, caren@westendstrategy.com; 202-257-9209

Payday Rule Called a Good Beginning

Advocates Urge CFPB to Remove Loopholes, Strengthen Protections

WASHINGTON, D.C. – Consumer, faith and civil rights leaders urged the Consumer Financial Protection Bureau to take advantage of the historic opportunity presented by their new rule, proposed earlier today, and strengthen the rule, in order to rein in the worst abuses of payday and car title lending.

The rule will be finalized in approximately 90 days. In the meantime, consumers are encouraged to comment and suggest changes to the final rule that will close loopholes and remove exemptions. Comments can be offered at www.stoppaydaypredators.org. As written now, advocates say the rule is on the right track, but because of loopholes and exemptions, will still put too many people at risk of falling into the payday lending debt trap.

“The Consumer Financial Protection Bureau’s focus on requiring that loans be affordable is the right approach but the devil, as always, is in the details. There is still a great deal of work to be done on this proposal to ensure it truly protects consumers from the devastation wrought by high-cost, low-dollar predatory loan

products,” said **Mike Calhoun, president of the Center for Responsible Lending.**

“For individuals who are struggling to make ends meet, options for safe and affordable financial products, especially in the form of small-dollar credit (microloans) are often limited. Payday loans might sound like a good option, but they are intentionally structured to keep borrowers in a cycle of borrowing and debt that causes millions of hardworking Americans extreme financial difficulty,” said **Janet Murguía, NCLR (The National Council of La Raza) President and CEO.**

“Today we strongly support the CFPB's announced proposed rule to rein in the "debt trap" caused by abusive small dollar predatory loans. This rule has the potential to make a significant and positive impact in the lives of ordinary Americans, particularly racial and ethnic minority Americans, by protecting them from financial predatory lenders,” said **Hilary Shelton, director of the NAACP's Washington bureau.** “By ensuring that a strong and enforceable ability to repay standard is incorporated in the final rule, the CFPB will make major steps forward in its mission of consumer protection.”

“This is a breakthrough announcement. The CFPB's proposal holds the potential to rein in an industry of debt-trap consumer lenders – it is important that some weaknesses in the proposal be addressed before it is finalized so it can reach that potential,” said **Gynnie Robnett, Payday Campaign director at Americans for Financial Reform.** “For too long payday lenders have been allowed to extract wealth from economically vulnerable people and communities with products that systematically compound the financial troubles the lenders claim to solve, we need a strong payday rule to stop this.”

“The CFPB is proposing sweeping changes to an industry that, for decades, has trapped millions of consumers seeking short-term credit in a long-term cycle of debt. Borrowers will be better protected, but further changes are necessary to reduce the harmful effects of triple digit interest rates and coercive collection practices,” said **Tom Feltner, director of financial services at Consumer Federation of America.**

“We’ve been working towards this day for years,” said **George Goehl, executive director of National People’s Action**. “For decades, predatory payday lenders have gotten away with taking money from people who didn’t have much to begin with. With interest rates north of 300 percent, and a business model based on trapping people in debt, they’ve been allowed to strip wealth from families and communities. The CFPB must live up to its mission of protecting consumers from deceptive and abusive financial practices by writing a rule that will put a stop to the abuses that are endemic in the small-dollar lending industry.”

“Low-income people and people of color have long been targeted by slick advertising and aggressive marketing campaigns to trap consumers into outrageously high interest loans,” said **Wade Henderson, president and CEO of The Leadership Conference on Civil and Human Rights**. “That’s why the civil rights community wants to see predatory payday lenders reined in and regulated. The power to lend is the power to destroy. We have a moral imperative to make sure that the cures being sold for financial ailments aren’t worse than the disease itself.”

“The proposed rules issued today by the CFPB to regulate small-dollar credit products, including payday, auto-title loans and many high-cost installment loans, mark a significant milestone towards protecting financially vulnerable consumers from the most abusive payday lending practices. We look forward to further strengthening the regulations through the public comment process, CFED’s *Consumers Can’t Wait* campaign and the Assets & Opportunity Network,” said **Andrea Levere, president of the Corporation for Enterprise Development**.

“I have heard far too many stories about the impact of payday lending on my congregants, and the bottom line is this: Our faith instructs us very clearly that charging outrageously high interest rates is simply wrong. The regulation of predatory lending practices is not just an economic issue, it is an issue of morality and justice,” said **Pastor Wes Helm, associate pastor at Springcreek Church in Garland, Texas and a clergy leader with Faith in Texas, a PICO federation**. “My first introduction was an elderly man seeking help with his rent. He lived on a fixed income. As I started going through his budget to see how we could help, I noticed a line marked ‘payday loans’ for around \$1,000 a month. I asked him when they would be paid off and he told me, ‘I will never pay those off. I just pay \$1,000 a month to cover the interest and fees. I will pay until I die.’”

"While this is an important step in the right direction, the fight is far from over. Payday lenders have spent tens of millions of dollars currying favor with powerful politicians and they will do whatever it takes to keep this predatory racket running," said **Karl Frisch, executive director of Allied Progress**. "We owe it to hard working men and women everywhere to remain vigilant and fight on until the debt trap is ended once and for all."