June 2, 2015

United States House of Representatives
Florida Delegation

Dear Delegates:

The undersigned Florida organizations are writing to you because of our concern about the April 28, 2015, letter from the Florida United States Congressional delegates (except Rep. Rooney) to Richard Cordray, director of the Consumer Financial Protection Bureau (CFPB). We disagree strongly with any perception on your part that the present Florida payday loan regulatory structure should be held out as a model or that Florida's regulatory structure provides Florida consumers with a loan that protects them from economic harm.

The Florida model may be a start and, in fact, the CFPB has incorporated elements of Florida's statutory scheme into its new protections. The difference is the CFPB has met with consumer, industry and financial interests to ensure the new regulations are realistic for the industry and, at the same time, protective of the consumer. To offer, as suggested, the Florida model as a third method for other states to follow without any other federal protections provided for the consumer is short sighted.

Florida's long history with payday loans began prior to the 2001 legislation passed in an attempt to control an industry preying on low-income consumers. At that time, the payday loan industry was willing to agree to what they referred to as "best practices" in order to obtain the holy grail – extremely high fees and costs. Florida's usury rate is 18%. Florida payday lenders are allowed to charge 20 times the criminal usury rate – up to 390% APR.

A ban on rollovers of a payday loan, the 24 hour cooling off period between loans, and a limit of one loan at a time have not changed the fact that most payday loan consumers in Florida take out, on average, almost 9 loans per year. Further, 63% of payday loan borrowers take out 12 or more loans per year.

This is a clear indication that despite the industry's claim of Florida codifying what they call best practices, the bulk of consumers are caught in a debt trap. Consumers must repeatedly take out these high cost loans in order to meet their monthly expenses after paying off the previous loan. Despite the existence of Florida's purported "model legislation," it has still been necessary for the Federal Reserve Board, the Federal Trade Commission and the Office of the Comptroller of the Currency to take much more punitive actions than those taken by the CFPB in Operation Choke Point. The CFPB should be lauded for its attempt to bring in industry and financial participants to help fix problems the pre-CFPB payday-lending world has created.

As Barbara in Atlantic Beach explained, "Once you get into the loan, you are constantly getting stuck . . . . It's not worth it. It is something I regret doing. Payday loans need to be ended. Families lose their homes, cars. Just don't do it." A recent study, *ALICE, Asset Limited, Income Constrained, Employed, Florida, Study of Financial Hardship*, from the United Way of Florida, found that families like Barbara's, ALICE households, are at high risk from payday loans. Repeatedly using payday loans "increases the fees and interest rates and decreases the chance that they can be repaid. Repeated use of payday loans is linked to a higher rate of moving out of one's home, delaying medical care or prescription drug purchases, and even filing for chapter 13 bankruptcy." (*ALICE*, page 71)

Low-income consumers deserve better. CFPB should be encouraged to take all steps available to limit the frequent financial devastation to consumers from payday loans. We look to our United States House delegation to seek additional protections for Florida consumers, not settle for the status quo that keeps the low-income borrower in a debt trap. Please reconsider your position and support marketplace equality rather than special interests.

Sincerely,

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