June 7, 2019

The Honorable Jerome Powell
Chairman
Board of Governors, Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Delivered electronically

Dear Chairman Powell,

We write to draw your attention to the attached comments that 429 civil rights, consumer, labor, faith, veterans, senior, business, and community organizations from 46 states plus the District of Columbia groups recently filed with the Consumer Financial Protection Bureau opposing the repeal of ability-to-repay rules for short-term and balloon-payment payday loans.[1] In particular, the comments prominently stressed the dangers of bank-issued payday loans in addition to those of non-bank payday lenders.

We urge the Federal Reserve Board to retain its supervisory statement raising concerns about deposit advance loans; to discourage any supervisee bank currently making deposit advance loans, including Fifth Third Bank, from doing so; and to discourage other supervisee banks from entering this predatory market.

Even within our broad coalition, it is exceedingly rare for so many organizations to come together and to speak with one voice. The tremendous outpouring of opposition to high-cost, short-term loans that put people in a cycle of debt, whether issued by banks or nonbanks, illustrates the importance of this issue to people across the country.

The letter by 429 groups noted: "Nearly 100 million Americans live in the 16 states plus the District of Columbia where laws cap rates at 36% or below, not permitting the high rates payday lenders charge." Yet these consumers and those in other states could be exposed to payday loans if banks, which are not subject to state interest rate caps, enter the high-cost loan market. Republicans and Democrats alike support rate caps and oppose high-cost loans. In 2018, 71% of Republicans and 93% of Democrats in Colorado voted to cap interest rates on small dollar loans at 36%. Similarly, in South Dakota in 2016, a very conservative state and election year, 76% of people voted to do the same – higher than the percentage of voters in that state who voted for President Trump.

Bank payday loans (so-called deposit-advance products) were dangerous not only because of their high rate but also because of their balloon-payment structure, with advance repaid in a lump sum from the next deposit, typically only 12 days later. The 429-group letter noted how bank payday loans lead "to a cycle of repeat loans. Contrary to bank claims, we have seen no evidence that these loans gave people an alternative to non-bank payday lending or drove non-bank payday lender volume down. Rather, data suggests they simply saddled bank customers with additional unaffordable debt." When bank payday

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[1] The comments, filed May 15, 2019, are also available at https://www.nclc.org/images/pdf/high_cost_small_loans/payday_loans/short-comments-to-cfpb-opposing-changes-to-payday-rule-may2019.pdf.

loans were on the market, two-thirds of fees came from people who on average borrowed 15 or more times a year, many of whom took out loans 10 or more months a year. Occasional cooling off periods do not alleviate the dangers of repeat balloon-payment loans, made without an ability-to-repay determination, that merely cover unaffordable prior loans rather than addressing new credit needs.

We urge you to listen to the voices of Americans across the country who have spoken out so strongly in opposition to high-cost, balloon-payment loans.

Yours very truly,

Lisa Donner, Executive Director
Americans for Financial Reform

Mike Calhoun, President
Center for Responsible Lending

Christopher Peterson, Director of Financial Services & Senior Fellow
Consumer Federation of America

Rob Randhava, Senior Counsel
The Leadership Conference on Civil and Human Rights

Hilary O. Shelton, Director
NAACP Washington Bureau & Senior Vice President for Policy and Advocacy

Lauren Saunders, Associate Director
National Consumer Law Center (on behalf of its low income clients)

Attachment: Comment letter of 429 groups to CFPB opposing repeal of its payday lending rule

cc: The Honorable Richard H. Clarida, Vice Chair
The Honorable Randal K. Quarles, Vice Chair for Supervision
The Honorable Michelle W. Bowman
The Honorable Lael Brainard