

# Faith for Just Lending

a coalition to end predatory payday lending

May 16, 2016

The Honorable Richard Cordray  
Director  
Consumer Financial Protection Bureau  
1275 First Street NE  
Washington, D.C. 20020

Dear Director Cordray:

We write as a broad, diverse and non-partisan group of religious leaders, practitioners, and social service providers who are working together to end the debt trap caused by predatory payday loans. Thank you for your engagement with and attention to faith communities. We are grateful that our perspective and input has been welcomed by the CFPB.

We are encouraged to hear that the bureau is in the final stages of drafting a payday lending rule. While our coalition includes many different theological and political convictions with differing views on the CFPB as an agency, we are united in our concern for our neighbors impacted by debt-trap loans and in our hope that the forthcoming rule will have a positive impact on their lives. Many of our organizations were present at the meeting with senior White House staff on April 14. We'd like to take this opportunity to reiterate some of our key points made that day.

Based on the outline released last year, we are pleased that the bureau is crafting a rule that would cover a broad range of products. We believe the debt-trap prevention requirements are particularly important and that the 60 day cooling off period they include is appropriate. Based on the stories we have heard from borrowers, we greatly appreciate the emphasis on preventing abusive collections practices.

In addition, we want to emphasize a few points of concern that we hope will be addressed in the proposed rule. First, we believe that strong state usury laws with limits on interest and fees can best protect financially vulnerable borrowers. We hope that nothing in the rule will undermine such state laws where they exist and ask the bureau to consider a statement in support of these limits.

Second, we urge the bureau to prohibit the use of past payday loan repayment as evidence of a borrower's ability to repay. Payday lenders have direct access to a borrower's bank account and are first in line to be repaid. Typically, the borrower lacks the funds to both repay the original loan and meet ongoing living expenses and is forced to rollover to a new loan. These repeated refinances provide a false impression that a borrower actually has the ability to repay and handle

other monthly expenses. Thus, any regulations must insure that borrowers are able to pay back the loan given their income and expenses without resulting in more borrowing. We fear to do otherwise would result in little improvement for borrowers and only reassure lenders in their ability to get paid, not in their customers' ability to get out of debt.

Third, while we believe the upfront ability-to-repay requirements are critical, we believe additional protections are needed to ensure that lenders do not keep borrowers in purportedly "short-term" loans for extended periods of time. Consequently, we ask that the CFPB consider limits on the number of loans a lender can make to a borrower and how long the lender can keep the borrower indebted over the course of a year.

Finally, we are concerned that unscrupulous lenders may increasingly seek to issue high-cost, longer term installment loans in order to evade prospective regulations on short-term loans. But, as many in our communities have experienced, a contract committing a borrower to exorbitant high cost for a year or more – particularly when those loans also become repeatedly refinanced, as they often do – can be as harmful as a frequently flipped short-term loan. Therefore, we encourage the Bureau to focus attention on longer-term loans as well so that this market does not become a haven for unscrupulous lenders and predatory practices. In particular loans should not include unrealistic balloon payments that would force borrowers to seek new loans to repay old loans.

We look forward to the proposed rule and engaging the process moving forward.

Sincerely,

Southern Baptist Ethics & Religious Liberty Commission  
United States Conference of Catholic Bishops  
National Association of Evangelicals  
National Latino Evangelical Coalition  
National Baptist Convention, USA, Inc.  
Cooperative Baptist Fellowship  
Center for Public Justice  
Ecumenical Poverty Initiative  
PICO National Network

