



May 14<sup>th</sup>, 2019

Director Kathleen Kraninger  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, DC 20552

Re: Rule Governing Payday, Vehicle Title, and Certain High-Cost Installment Loans, Docket No. CFPB-2019-0007; Document No. 2019-01905

Director Kraninger:

We write in strong opposition to the Consumer Financial Protection Bureau's (CFPB) proposal to rescind provisions of the regulation governing *Payday, Vehicle Title, and Certain High-Cost Installment Loans*, originally promulgated by the Bureau in November 2017.

NALCAB – National Association for Latino Community Asset Builders represents and serves a geographically and ethnically diverse group of more than 120 non-profit community development and asset-building organizations that are anchor institutions in our nation's Latino communities. Members of the NALCAB Network are real estate developers, business lenders, economic development corporations, credit unions, and consumer counseling agencies, operating in 40 states and in Washington, DC.

The CFPB should not change the existing regulation. In particular, it is outrageous to eliminate the provision that requires payday and vehicle title lenders to determine a borrower's ability to repay a loan while meeting other necessary expenses before extending credit. A debt instrument offered to people in vulnerable financial circumstances without underwriting the borrower's ability to pay stretches the very definition of a loan and should be more appropriately called a debt trap.

Payday and vehicle title lenders structure financial products that are designed to target borrowers that do have the ability to repay and to keep them in a cycle of debt. These high-cost short-term financial products have fees and interest rates that make repayment very difficult and lead to reborrowing. Data shows that 75% of all payday loan fees are charged to borrowers trapped in more than 10 loans a year<sup>1</sup>. The Bureau's own research found that 85% of payday loans are reborrowed within 30 days, suggesting the borrower did not have the ability to repay them.<sup>2</sup> These unscrupulous lenders succeed when their customers fail.

The assertion in the Notice of Proposed Rule Making that the evidence underlying the 2017 Final Rule is not sufficiently robust and reliable is patently ridiculous. The CFPB and independent research organizations have published overwhelming evidence that abusive practices have been widely used in the payday and vehicle title industry. There is enormous evidence of harm to consumers that have

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<sup>1</sup> <http://stopthedebttrap.org/wp-content/uploads/2017/10/stdt-cfpb-payday-rule-2pager-sep2017.pdf>

<sup>2</sup> CFPB, Supplemental Findings on Payday, Payday Installment, and Vehicle Title Loans, and Deposit Advance Products, 111 (June 2016)

been snared in these debt traps. The leadership of the CFPB have undermined their own credibility by attempting to ignore evidence in this way.

Payday lenders are a scourge in Latino communities and disproportionately target predominately Latino neighborhoods. A study by the Center for Responsible Lending found that in California payday lenders are eight times more likely to be in located predominately Latino neighborhoods and in Florida they are twice as likely to be located in predominately Latino neighborhoods.<sup>3</sup> Latinos are a critical economic engine for our nation.<sup>4</sup> Draining earnings from Latino families through non-transparent, high interest rates and fees only weakens our national economy.

We must not forget the lessons learned from the 2008 Great Recession. Failing to protect consumers from abusive and discriminatory loan products resulted in a financial crisis and economic downturn that produced long-term scars on our economy. The CFPB was established as part of the *Dodd Frank Wall Street Reform and Consumer Protection Act*, to ensure safe consumer financial products and services. We urge that the CFPB not weaken consumer protections but to do what it is statutorily required to do: protect consumers.

Thank you for the opportunity to submit these comments.

Sincerely,

Noel Poyo  
Executive Director

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<sup>3</sup> <http://www.responsiblelending.org/state-of-lending/reports/10-Payday-Loans.pdf>

<sup>4</sup> <https://www.jec.senate.gov/public/cache/files/2d162187-e1cc-4629-a39e-7f0853194280/jec-hispanic-report-final.pdf>