



NATIONAL
ASSOCIATION FOR
LATINO
COMMUNITY
ASSET
BUILDERS

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**NALCAB, Public Citizen, CRL Sue to Restore Payday Lending
Protections for Borrowers**
*CFPB Repeal Rule Will Leave Consumers
at the Mercy of Payday Lenders' Abuses*

(WASHINGTON, DC) – The National Association for Latino Community Asset Builders (NALCAB), represented by Public Citizen and the Center for Responsible Lending (CRL), [sued](#) the US Consumer Financial Protection Bureau (CFPB) today in the US District Court for the District of Columbia seeking to overturn a regulation issued in July 2020 concerning short-term payday and auto-title lending.

The regulation repeals consumer protection measures that the agency adopted in 2017 to protect vulnerable consumers from an unfair and abusive practice. The lawsuit explains that the 2020 rule is unlawful under the Administrative Procedure Act and violates the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Payday and auto-title loans are short-term loans that lenders typically offer without assessing borrowers' ability to repay. Annual interest rates can be 300% or higher. Lenders' failure to underwrite traps many borrowers in expensive cycles of unaffordable debt. Financially distressed consumers are forced to take out loan after loan because they cannot afford to repay the first one.

In 2017, after years of research and public engagement, the CFPB issued a rule to address the substantial harm that consumers suffer when payday and title lenders make loans without reasonably determining that borrowers can repay. In its 2017 rule, the CFPB concluded that the practice is unfair and abusive and adopted measures to protect consumers from the harmful practice. But in July 2020, the CFPB issued a new rule that prevents those consumer protections from taking effect.

The new rule repealing the consumer protections is based on an invented evidentiary standard and on re-interpretations of Dodd-Frank Act standards that appear designed to undermine the CFPB's earlier consumer protection measures. Serving predatory lenders rather than consumers, the CFPB's rule leaves consumers vulnerable to payday lenders' abuses, rests on one-sided portrayals of the 2017 rule's effects and applies the agency's new standards in unreasonable ways. The suit asks the court to set aside the 2020 rule.

“Payday and auto title lenders are the proverbial bottom feeders of the financial services marketplace,” said Noel Andrés Poyo, executive director for NALCAB. “They make more money when their customers fail because they seek to catch poor people in a trap of revolving debt and then use penalties and fees to fleece them of what little money they earn. Why the CFPB would ignore its own research and overturn its own rules to make these abusive practices easier makes no sense, until we see the volume of political donations flowing from these unscrupulous companies to decision makers in this administration.”

“This rule is a slap in the face to consumers and is particularly ill-timed when so many people are facing financial distress due to the pandemic,” said Rebecca Smullin, the Public Citizen attorney serving as lead counsel on the case. “The CFPB’s rule appears to be crafted solely to boost lenders’ profits, contrary to the consumer financial protection mission of the agency.”

“The pain caused by gutting these protections will be felt most by those who can least afford it, including communities of color who are disproportionately targeted by payday lenders,” said Will Corbett, litigation director at the Center for Responsible Lending. “The CFPB spent five years developing these consumer safeguards, taking input from lenders, faith leaders, veteran and military organizations, civil rights groups, consumer advocates, and consumers from across the country. Reversing course, without any rational basis for doing so, as the COVID-19 pandemic continues to ravage the economy, will only push struggling families closer to the brink.”

[NALCAB](#) – the National Association for Latino Community Asset Builders – is the hub of a national network of more than 120 mission-driven organizations in 40 states, DC and Puerto Rico that serve ethnically diverse Latino communities across the US. Members of the NALCAB Network invest in their communities by building affordable housing, addressing gentrification, supporting small business growth and providing financial counseling on issues such as credit building and home ownership. Our mission is to strengthen the economy by advancing economic mobility in Latino communities. The NALCAB Network serves hundreds of thousands of low and moderate-income people, the vast majority of whom are immigrants or the children of immigrants.

[Public Citizen](#) is a nonprofit consumer advocacy organization that champions the public interest in the halls of power. Public Citizen defends democracy, resists corporate power and works to ensure that government works for the people. Through its Litigation Group, Public Citizen litigates to protect the rights of consumers to access the courts and to stop rollbacks of important consumer, worker and environmental protections.

The [Center for Responsible Lending](#) (CRL) is a nonprofit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices.

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