



RIN 3170-AA80

May 14, 2019

2019-NPRM-PaydayReconsideration@cfpb.gov

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

RE: Notice of Proposed Rulemaking on Payday, Vehicle Title, and Certain High-Cost Installment Loans
RIN 3170-AA80

Dear Director Kraninger,

We appreciate the opportunity to comment on the CFPB's notice of proposed rulemaking on payday, vehicle title, and certain high-cost installment loans. We, the undersigned 55 organizations from the Ohioans for Payday Loan Reform coalition and members of the Ohio CDC Association, strongly encourage the CFPB to **preserve the CFPB's 2017 final rule**. The final rule is a thoughtful compromise that addresses the core problem of unaffordable balloon-payment loans while allowing for credit to remain widely available. The 2017 rule was carefully developed over six years of research and a 30-month rulemaking process. It incorporated feedback from a broad cross-section of financial institutions, regulators, non-governmental stakeholders, researchers, state and local governments and other policymakers.

Why we support the 2017 Payday Rule:

Consumers spend more than \$30 billion in fees and interest each year for high-cost, non-bank small loans.¹ In the payday loan market lenders require access to a borrower's checking account as collateral for the loan. This "leveraged payment" ensures that the lender can collect regardless of the borrower's ability to repay. The typical payment takes more than a third of the average borrower's pretax paycheck.² The high costs, extremely strong collateral and unaffordable payments result in serious harm. The average consumer signs up for what appears to be a two-week product but typically ends up in debt for five months of the year and pays more in fees than they received in original principal.

The 2017 final CFPB rule limits the harms of balloon-payment payday and auto title loans while preserving access to credit for borrowers with low credit scores. It requires lenders either 1) assess applicants' ability to repay, 2) limit payday loans to \$500, restrict total indebtedness to 90 days within a

¹ Center for Financial Services Innovation, *2014 Underserved Market Size: Financial Health Opportunity in Dollars and Cents* (December 2015), <http://www.cfsinnovation.com/Document-Library/2014-Underserved-Market-Size-Financial-Health-Opportunity>.

² The Pew Charitable Trusts, *Payday Lending in America: Policy Solutions* (October 2013), <https://www.pewtrusts.org/en/research-and-analysis/reports/2013/10/29/payday-lending-in-america-policy-solutions>

given 12 months, and make subsequent loans to repeat borrowers smaller, or 3) give borrowers more than 45 days to repay. The rule discourages repeat short-term, balloon-payment loans but leaves lenders free to offer installment loans that last longer than 45 days.

The 2017 Payday Rule is working: access to credit remains widely available

The CFPB's 2019 notice of proposed rulemaking asserts that the agency's 2017 safeguards would reduce access to credit but that concern is unfounded. A large majority of consumers would maintain access to credit under the 2017 final rule as the market continues to shift away from balloon-payment loans and toward installment loans. For example, one of the nation's largest banks has already started offering a mass-market small installment loan product in compliance with the rule, representing a significant expansion in credit availability.³ At the state level, access to longer-term loans that are already compliant with the 2017 CFPB rule would remain. In at least 29 of the 38 states where payday and auto title lenders operate today, non-bank small-dollar lenders can already offer loans with terms beyond 45 days.⁴ Most recently, on April 27th, Ohio's Fairness in Lending Act went into effect. Ohio's provisions – requiring affordable payments, ensuring reasonable time to repay, and capping loans costs, among other protections – are more stringent than the CFPB's 2017 rule. As expected, lenders in Ohio have shifted to offering longer-term loans throughout the state, new providers have entered the market because they can compete on a level playing field, credit remains widely available, and consumers will save millions of dollars each year.⁵ This evidence demonstrates that the CFPB's 2017 approach is a successful one.

In sum, the CFPB's 2017 final payday loan rule was carefully crafted to reduce consumer harm and allow credit to remain widely available. **We implore you to maintain these critical safeguards which protect borrowers from dangerous short-term balloon payment loans, improving the market for consumers and responsible lenders.**

Thank you for your consideration. If you have any questions please contact Nate Coffman with the Ohio CDC Association at (614) 461-6392 ext. 207 or ncoffman@ohiocdc.org.

Sincerely,
Ohioans for Payday Loan Reform
Adams Brown Community Action Partnership (ABCAP)
Asian Services in Action Inc.
CAA of Columbiana County
CHN Housing Partners
Church of Our Saviour/La Iglesia de Nuestro Salvador
City of Columbus
City of South Euclid

³ https://www.stltoday.com/opinion/editorial/editorial-finally-banks-and-others-are-challenging-payday-lenders/article_fa29143b-8d73-57b3-af47-723fa7871bb7.html

⁴ The Pew Charitable Trusts, *From Payday to Small Installment Loans*, (August 2016), <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/08/from-payday-to-small-installment-loans>

⁵ <https://www.daytondailynews.com/news/local/new-payday-lending-law-save-consumers-75m/YC2O8u3prYifjgslw8KGOJ/>

CityWide Development Corporation
Coalition on Homelessness and Housing in Ohio (COHHIO)
Columbus Empowerment Corporation
Community and Economic Development Consultants
COMMUNITY MATTERS CINCINNATI
Episcopal Diocese of Southern Ohio
Famicos Foundation
Great Lakes Community Action Partnership (WSOS)
Greater Ohio Policy Center
HARCATUS TRI-COUNTY CAO
HFLA of Northeast Ohio
Home Is The Foundation
Home Repair Resource Center
Homes on the Hill CDC
IMPACT Community Action
LakewoodAlive
LCCAA
Legal Aid Society of Southwest Ohio LLC
LISC
Lowenstein Development, LLC
Miami Valley Community Action Partnership
MidTown Cleveland, Inc.
MYCAP
NeighborWorks Collaborative of Ohio
NeighborWorks TOLEDO REGION
New Home Development
NHP of Springfield Ohio
NHS of Greater Cleveland
NPAM
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