



# Payday Lending Reform

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## CFPB Rule Repeal Summary

### The Promise of National Progress

The Consumer Financial Protection Bureau, created by the Dodd-Frank Financial Reform Act of 2010, was given explicit authority to regulate small-dollar lending nationwide. In October 2017, after years of research, several published drafts and outlines, and millions of public comments, the CFPB issued a rule designed to rein in the abusive practices of payday and auto title lenders. Intended to take effect in August of 2019, the rule established an ability to repay standard that would ensure loans could be paid back and not result in a debt trap for vulnerable borrowers.

### Ability-to-Repay Standard: The Heart of the Rule

While the CFPB lacks authority to control the cost of small dollar loans by capping interest rates or fees, the rule required lenders to assess a borrower's ability to repay a loan and meet their other financial obligations and living expenses without needing to reborrow. The CFPB concluded that it is an unfair and abusive practice for a lender to make a loan without reasonably determining that the consumer will have the ability to repay the loan according to its terms, i.e., without the need to reborrow for 30 days following the loan's due date. These Mandatory Underwriting Provisions required lenders to verify net income, major financial obligations and basic living expenses.

### A New Administration: Progress Reversed

In November of 2017 Richard Cordray resigned as the first director of the CFPB and Mick Mulvaney was named acting director. A former congressman from South Carolina, Mr. Mulvaney had repeatedly expressed his opposition to payday lending reform and to the formation and mission of the CFPB itself. In January of 2018 acting director Mulvaney expressed his intent to reconsider the payday lending rule finalized just months before. Acting Director Mulvaney also urged Congress to repeal the rule through use of the Congressional Review Act, which it declined to do.

### Repeal Proposed

In December of 2018 the Senate confirmed Kathy Kraninger as the new director of the CFPB. On February 6, 2019 the CFPB announced a notice of proposed rulemaking in order to rescind the ability to repay standard in the rule. Under new leadership, the CFPB determined that their previous research and public comments did not amount to sufficient evidence to support the ability to repay provisions. In addition, the Bureau declared that it was unaware of "any additional evidence that would provide the support needed... and does not believe it is cost-effective for itself and for lenders and borrowers to conduct the necessary research to try and develop those key findings."

The CFPB is now proposing to repeal all of the ability to repay provisions of the rule but does not propose anything to replace them. Importantly they do not dispute that the cycle of debt caused by payday loans results in substantial harm to consumers. With this action, the CFPB is enforcing unfair and abusive lending practices.

### Public Comment Period: People of Faith Speak Out!

The notice of proposed rulemaking requires a public comment period. The CFPB is required to read and consider comments from the public on their plans to repeal these critical provisions in the small-dollar lending rule. Please make a comment expressing your disappointment in the effort to repeal the heart of the payday lending rule. If you have a personal story of how you, your family or friends have been harmed by predatory lending, please include those details.

**Your Voice Needed Now! - DEADLINE: MAY 15, 2019**

**[GO TO WWW.LENDJUSTLY.COM/CFPBCOMMENT TO MAKE A COMMENT](http://www.lendjustly.com/cfpbcomment)**



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