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CALIFORNIA REINVESTMENT COALITION

May 9, 2019

Director Kathy Kraninger
ATTN: Comment Intake
Bureau of Consumer Financial Protection,
1700 G Street NW
Washington, DC 20552

Re: Proposal to Rescind Payday Rule's Ability-to-Repay Requirements

Docket No. CFPB-2019-0006, RIN 3170-AA80

Dear Director Kraninger:

I am writing this comment letter on behalf of the California Reinvest Coalition (CRC) in opposition to your proposal to rescind the Consumer Bureau's 2017 rule requiring payday lenders to determine whether borrowers can repay their loans in full when due and still meet basic living expenses and major financial obligations.

CRC seeks to build an inclusive and fair economy that meets the needs of communities of color and low-income communities by ensuring that banks and other corporations invest and conduct business in our communities in a just and equitable manner. We envision a future in which people of color and low-income people live and participate fully and equally in financially health and stable communities without fear of displacement, and have the tools necessary to build household and community wealth.

CRC is the largest statewide community reinvestment coalition in the country, with over 300 member organizations across California that provide services to tens of thousands of low-income residents. We have the network, experience, and expertise to effectively challenge the root causes of economic inequality affecting low-income, racial minority, rural, and immigrant households. CRC members include affordable housing developers, community development financial institutions, housing counseling agencies, fair housing organizations, financial capability organizations, small business technical assistance providers, legal services agencies, and other community based organizations.

I am writing in opposition to your proposal to rescind the CFPB's 2017 rule because the low-income and communities of color we seek to lift up are most adversely impacted by the payday industry. Research shows that the greater number of payday lenders in a community, the worse the financial health is for consumers living in that community.

The importance of this rule for protecting seniors, communities of color, and all working families who use payday loans can't be overstated. The majority of people who use a payday loan have found themselves quickly ensnared in

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the payday loan debt trap of lost income, repeated rollovers, and financial hardships and heartaches. The CFPB's payday rule was meant to help put an end to these abusive lending practices. Rescinding the rule would be an enormous step backwards that will harm the very consumers your agency was created to protect.

You have shared your concern about the impact the ability-to-repay requirements will have on access to credit. First, there have always been limits on access to credit – "credit," of course, is the same as debt as soon as the bills become due — and when such limits have been ignored, such as during the sub-prime mortgage crisis, families and entire communities have been devastated. Some communities in California, especially lower-income communities and communities of color, are still trying to recover from the cataclysmic effects of mortgage loans made without regard to borrowers' ability to repay. Those loans stripped families of wealth and left neighborhoods pockmarked with foreclosed homes. We support access to *safe and affordable* credit, not high-cost debt traps.

Even assuming that the ability-to-pay protections would cause a tightening in the market for payday loans, consumers would still have access to the other products listed above. In the states that do not have such a variety of products, those states would have the option to respond to a tightening in the market by developing laws and/or regulations to address that concern. This is the proper role of the states. Sixteen states have completely stopped payday loans from trapping their residents in debt by establishing interest rate caps of no higher than 36%.

This issue is at the core of your agency's mission. Our country's most vulnerable consumers are in need of protection. The free market is failing to protect them because many consumers who obtain payday loans are desperate; they are unable to use their purchasing power to secure a better price. This is precisely the type of situation that demands regulatory intervention.

Many people in our state, including people personally impacted by debt trap practices, advocates for low-income families, veterans and the elderly, responsible businesses and many faith groups mobilized to push for strong reform of these practices from the CFPB. We are appalled that you would propose ripping out the heart of the rule in favor of allowing payday lenders to continue these predatory practices unhindered. Requiring payday lenders to determine whether a borrower can repay a loan is the right way to protect a vast number of consumers from financial ruin. Please reconsider your proposal to rescind this requirement.

Sincerely,

-Ky-Nam Miller

Program Director, California Reinvestment Coalition

Attachment: 2016 CRC Letter to CFPB re: proposed Payday rule