

April 5, 2016

The Honorable Richard Cordray
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: CFPB's forthcoming payday lending rule

Dear Director Cordray:

We, the undersigned Pennsylvania organizations, respectfully urge the Consumer Financial Protection Bureau (CFPB) to issue a strong national payday loan rule that ends debt-trap lending once and for all.

We represent a broad cross section of Pennsylvania residents, including veterans, seniors, faith leaders, neighborhood development agencies, and social service providers. We are deeply concerned that as the CFPB works to rein in payday lending abuses in other states, it inadvertently will expand them into states like ours.

Pennsylvania has one of the strongest laws in the country to guard against predatory lending, with a strict cap on fees and interest for consumer loans. Our residents are among the 90 million Americans who live in states free of high-cost payday lending and the host of harms it brings. Our law has been effectively enforced against payday lenders operating illegally both in storefronts and online. We believe a strong national rule on payday lending could and should bolster and support our existing state protections, while also providing important new protections to Americans who live in states that have legalized predatory lending.

By contrast, a weak national rule would undermine our state's laws. We understand that a national CFPB rule would not preempt our stronger state interest rate cap. Our concern is that any loophole in the rule that would allow unaffordable, abusive loans to continue to be made in states where they are legal would threaten Pennsylvania's law by providing unwarranted legitimacy to predatory practices. A weak CFPB rule could open the floodgates to predatory payday lending in Pennsylvania.

Already, the payday lenders are using the forthcoming CFPB rule as leverage to weaken our state law. They are crafting state legislation to legalize their loans based on provisions in the CFPB proposals that would permit high-cost, unaffordable, long-term payday loans, and implying that the CFPB has given its "seal of approval" to these loans.

The payday lenders have a long history of trying to disguise their legislative proposals to legalize high-cost loans in Pennsylvania. They have repeatedly rebranded payday loans as "short-term loans," "micro-loans," or "a fresh start," and have falsely promoted their legislation as consumer protection. What is unique this year is that they are using the CFPB as a Trojan horse to bring their predatory loans into Pennsylvania.

Our battles to keep predatory payday lending out of Pennsylvania have been fierce. A diverse coalition has been working tirelessly to keep the Commonwealth’s safeguards in place—all in the face of relentless and aggressive efforts by the payday lenders to undo them. As reported by the *Philadelphia Inquirer*, the payday lenders have employed unfair tactics, including sending “cease and desist” letters -- on no legal basis-- to faith leaders who spoke out against legalizing payday lending, and bringing our budget process to a halt by sneaking language into the fiscal code that falsely stated that both chambers of the General Assembly intended to legalize high-cost lending.

We fear that this year’s legislative battle may be the most challenging, as the payday lenders point to the proposals from the CFPB-- our nation’s “consumer cop on the beat” - as the model for their bill.

As the CFPB prepares to issue a proposed rule to address payday lending nationally, we call on the CFPB not to undermine Pennsylvania’s usury and other consumer protection laws. We urge you to set a high bar for the entire country and issue a rule that enhances, rather than diminishes, our existing protections. A rule that mitigates the harms of high-cost payday lending where it is now permitted, while it undercuts laws that protect tens of millions of Americans in states that ban it, would not be sound public policy.

Many Pennsylvania residents are in financial distress, struggling to make ends meet from paycheck to paycheck. The last thing Pennsylvanians need is a plague of predatory, high-cost, small-dollar loans to dig them into an even deeper hole— precisely what could result if the CFPB were to issue a weak payday lending rule.

A strong rule would, at a minimum:

- **Strengthen the enforceability of existing, stronger state consumer lending laws.**
 The CFPB rule should provide that a violation of state usury or other consumer protection lending laws is an unfair, deceptive and abusive act or practice under federal law. The rule should provide that payday loans are subject to the law of the state where the borrower resides. It also should establish that those who facilitate illegal loans, including through payment processing, lead generating, and advertising, are engaging in unfair, deceptive, and abusive practices.
- **Require a meaningful “ability to repay” standard for every loan without exceptions.**
 The CFPB rule should require that lenders verify a borrower’s ability to repay every loan, considering both income and expenses, while still being able to cover basic needs like food and rent. The rule should not provide any safe harbors or legal immunity for poorly underwritten loans. For longer-term loans, protect borrowers from loans with payments that become unsustainable over time by establishing more stringent underwriting requirements; restricting loan terms where the borrower makes little progress in paying down the loan principal; and limiting repeat refinancing.

- **Affirm that state interest rate caps are *the most effective way to protect people from payday and other predatory, high-cost loans.***

Although the CFPB may not set an interest rate cap, it is critical that states maintain their caps and other consumer protections against abusive high-cost lending.

Pennsylvanians strongly oppose predatory payday lending and other forms of high-cost lending that traps borrowers in long-term debt. We call on you to issue a strong national rule that in no way undermines Pennsylvania's strong protections against abusive payday lending practices. A strong rule will benefit people everywhere.

Respectfully,

ACTION-Housing

Dan Sullivan, Foreclosure Prevention Specialist

Advantage Credit Counseling Service, Inc.

Stephen J. Piotrowski, President/CEO

Bloomfield-Garfield Corporation

Aggie Brose, Deputy Director

Bucks County Women's Advocacy Coalition

Tam St. Claire, President

Clarifi

Markita Morris-Louis, SVP Community Affairs and General Counsel

Community Action Committee of the Lehigh Valley

Alan Jennings, Executive Director

Community Legal Services

Kerry Smith, Senior Staff Attorney

Family Service of Chester County

Burroughs P. Mack, M.S.S., Executive Director

Germantown Restoration Corporation

John Elliot Churchville, PhD, JD, Executive Director

Habitat for Humanity Pennsylvania

Stacie Reidenbaugh, Chair

Homeownership Counseling Association of the Delaware Valley

Michelle Kerr Spry, Executive Director

Housing Alliance of Pennsylvania

Cindy Whitman Daley, Policy Director

Just Harvest

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Tracey DePasquale, Interim Director

Military Assistance Project

Dianna Schwartz, Executive Director

Open Hearth, Inc.

Kelly Raggazino, Executive Director

Pathways PA

Brenda Dawson, President/CEO

Pennsylvania Chapter, NACA (National Association of Consumer Advocates)

Cary Flitter, Co-Chair

Pennsylvania Council of Chapters, Military Officers Association of America

Robert Gray, Immediate Past President/Legislative Chairman

Pennsylvania Council of Churches

Rev. Sandra L. Strauss, Director of Advocacy and Ecumenical Outreach

Pennsylvania Public Interest Research Group (PennPIRG)

Michael Roles, Interim Director

Pennsylvania AFL-CIO

Richard W. Bloomingdale, President

Pennsylvania Utility Law Project

Patrick M. Cicero, Executive Director

Pennsylvania War Veterans Council, representing its members:

The American Legion, Department of
Pennsylvania

American Veterans (AMVETS)

Blinded Veterans Association

Catholic War Veterans

Disabled American Veterans

Jewish War Veterans

Keystone Paralyzed Veterans of
America

Marine Corps League

Military Officers Association of America,
Pennsylvania Council of Chapters

Military Order of the Cooties Grand of
Pennsylvania

Military Order of the Purple Heart

Navy Club USA

PA County Directors of Veteran Affairs

Veterans of Foreign Wars

Vietnam Veterans of America, Inc.

Bruce Foster, Chairman, Legislative Committee

Philadelphia Unemployment Project (PUP)

John Dodds, Director

Pittsburgh Community Reinvestment Group

Chris Sandvig, Regional Policy Director

Reinvestment Fund

Patricia L. Smith, Senior Policy Advisor

Society of St. Vincent de Paul, Philadelphia Archdiocese

Alicia Blessington, Voice of the Poor

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Keith Kondrich, Executive Director

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Donna M. Henry, Executive Director

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Robert Thomas, President

The Community Action Association of Pennsylvania

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Unitarian Universalist Pennsylvania Legislative Advocacy Network (UUPLAN)

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Bill Jackson, President/CPO

Urban Affairs Coalition

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