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

May 15, 2019

The Honorable Kathy Kraninger
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Dear Director Kraninger:

Prosperity Indiana appreciates the opportunity to comment on behalf of our network more than 150 community development organizations dedicated to helping low-income Hoosiers achieve and maintain housing and economic security in each of our state's 92 counties. Our organization is also part of a statewide coalition of more than 100 organizations, including social justice, veterans, faith-based, and community-based social service organizations, joined by a mission to enact reforms to predatory lending in Indiana.

Our members and network partners work directly with distressed consumers to assist them in times of financial crisis and help them build credit. Unfortunately, many borrowers in distress seek out assistance from our members only after they have compounded their debt with costly payday loans and have become stuck in a cycle of debt.

Our members work to lift up communities and consumers in crisis despite great challenges made worse by pervasive predatory lending. In Indiana, 46 percent of renters are cost-burdened and 86 households are evicted every day. Our state has a 134,485-unit deficit of housing that is affordable and available for extremely low-income households (those earning at or below 30 percent of area median income). We also have the eighth highest bankruptcy rate in the country. Our members understand why these borrowers seek out payday loans, that are heavily marketed and storefronts saturated in low-income communities, hoping for a lifeline when they fall behind on bills. Unfortunately, that payday loan acts as an anchor drowning them further in debt.

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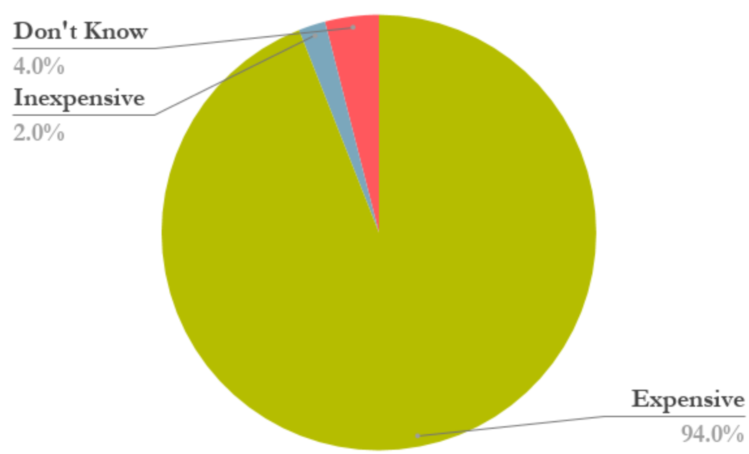
That is why if you ask our members if they would ever refer borrowers in trouble to payday loans, they will say and have said unanimously, "never."

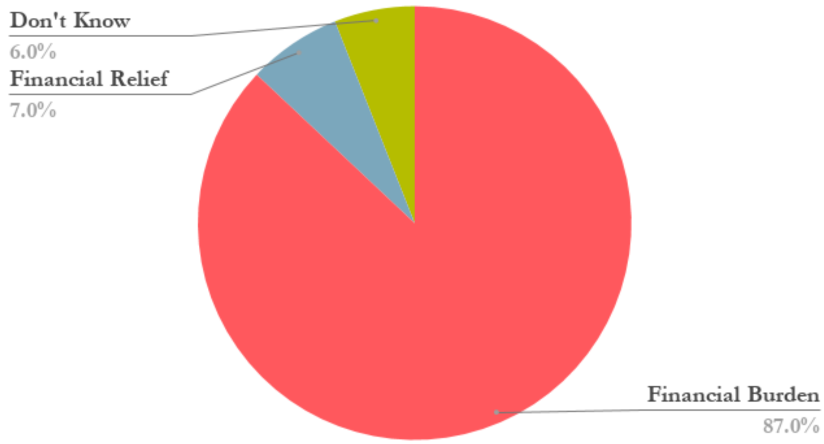
It is also why our members were not surprised when Consumer Financial Protection Bureau's (CFPB) research, that examined 12 million payday loans over a 12-month period, confirmed that four out of five payday loans are rolled over or renewed and that three out of five payday loans are made to borrowers who pay more in fees than the amount borrowed. Our network felt empowered that the agency took the first substantial steps on the federal level to enact common sense protections from some the most predatory features of payday loan products. The research findings from which the CFPB drew conclusions about what to include in the payday rule were certainly in line with a substantial body of research from organizations whose methodologies are sound.

Far from using payday loans for one-time emergencies, research from Pew Charitable Trusts has found that 69 percent of borrowers use payday loans – not for a car repair or unexpected emergency, but to cover a recurring expense, such as utilities, credit card bills, rent or mortgage payments, or food. Our members see consumers only add to their financial burden by taking these loans that leave them unable to afford basic expenses. Beyond the word of community and social justice organizations, our network and several consumer coalition partners utilized Bellwether Research & Consulting to conduct a poll gauging how registered voters in Indiana feel about payday loans.

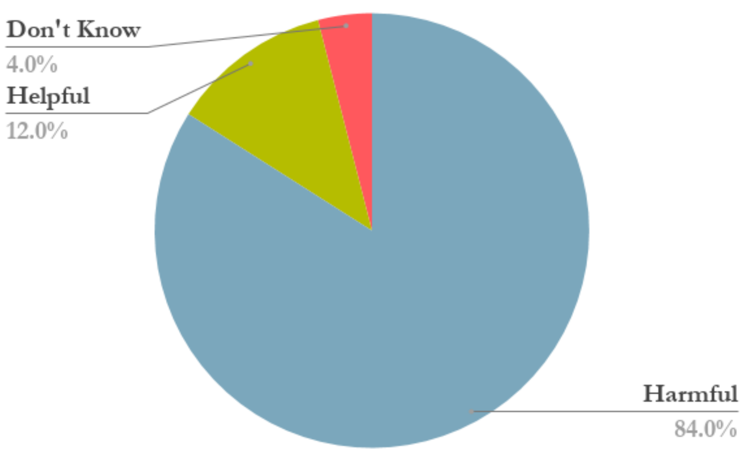


The poll included a large sample of individuals with direct experience with payday loans and diverse representation in age, gender and political affiliation. What we found is Hoosiers saying that the prescription for financial hardship is not high-cost, untenable loans, but reigning in exorbitant fees and interest.

Christine Matthews with Bellwether Consulting summarized the poll results, saying, “It is rare to see public consensus on an issue to the extent found in this survey. We find nearly universal and broad-ranging support for increased regulation and reform of payday lending in Indiana. Nearly nine-in-ten or 88 percent of respondents support capping the maximum interest on payday loans to 36% - support that remains fixed even after hearing arguments the industry has made against making this change.”

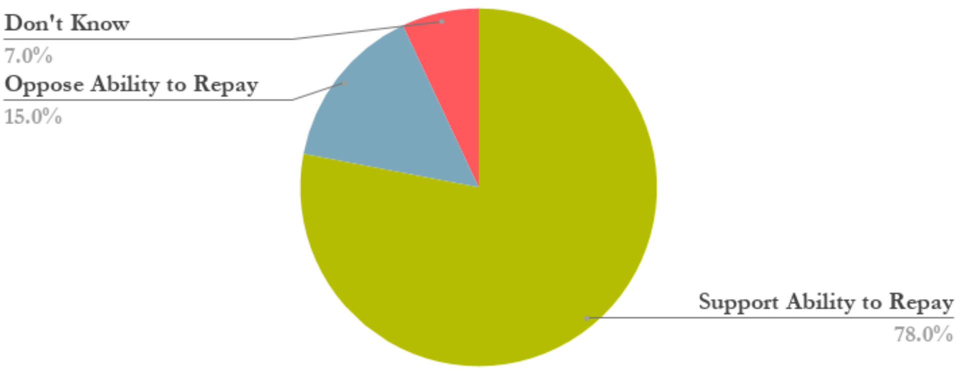


The poll found 87 percent of respondents saying payday loans are a financial burden versus a financial relief; 94 percent said they are expensive versus inexpensive; and 84 percent said they are harmful versus helpful. Of critical importance to the CFPB’s proposed rule, 78 percent support requiring payday loan lenders to determine a borrower’s ability to pay back a loan without defaulting on other expenses.



Previously, [when our organization commented on the payday rule in 2016], we thoroughly endorsed the implementation of the rule and cited the ability to repay standard in particular as a key way to reduce the harms caused by repetitive re-borrowing. We actually noted that we felt there were critical areas in which this standard should have been further strengthened, including our concern with the standard being required only after a borrower had taken out “six typical payday loans” in a year’s time. Further, the underwriting standard allows lenders to make the determination of what a reasonable budget is for a borrower in calculating ability to repay the loan. In fact, we offered numerous suggestions to improve what we believe to be an important, but modest proposal. It is alarming the agency now seeks to delay the implementation of the rule and remove the central component of that rule that would actually make a difference for borrowers trapped in endless payday debt cycles.

In Indiana, advocates for consumers and strong communities will continue to push for a statewide cap on payday loans. Prosperity Indiana will continue to expand the non-profit Community Loan Center program, offering consumers a low-cost payday alternative through employer partnerships. We will continue to strive for greater equity in lending and work to remedy the fact that many regulated banks have divested in communities of color while payday lenders [are found to be 2.4 times more concentrated] in African American and Latino communities, even after controlling for income and a variety of other factors.



While we work to improve the lending environment and lead Indiana to a place where all persons can live and work in an environment that provides equitable access to economic and social opportunity, the CFPB should be assisting us in that goal — not making our work more difficult. When states enact reasonable payday rate caps, former [borrowers report] being better off without that burden of debt. They report turning to options that were available all along but not pursued, including negotiating with creditors, seeking out support from community organizations, and delaying purchases. In Indiana, we are working hard to empower consumers and support communities to reach that goal, but payday lending is undermining our efforts. The CFPB should be fulfilling its mission to protect consumers from unfair and deceptive practices and move forward with implementing the payday rule and maintaining the ability to repay standard. We urge you to reconsider this proposal and stand by consumers.

Sincerely,

Jessica Love
Executive Director

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