FLORIDA
Consumer Action
NETWORK

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CFPB Moves to Gut Payday Lending Rule; State Protections Are Crucial

A 36% Usury Cap Would Keep Loan Sharks at Bay

St. Petersburg, FL — Yesterday, the Consumer Financial Protection Bureau (CFPB) moved to gut the agency's own consumer protections against predatory payday lenders, leaving Florida families exposed to the harms of short-term payday loans at an *average* 278% interest[1]. Florida Consumer Action Network (FCAN) strongly opposes this action and demands that the CFPB's 2017 rule on payday and car-title lending take effect as soon as possible. Further, we call on Florida lawmakers to pass an interest rate cap of 36% or lower, which has effectively protected residents of many other states from the payday debt trap.

Payday lending costs Florida families over $300 million per year in abusive fees[2] per year in abusive fees. The loans drive borrowers into financial distress by trapping them in long-term debt at triple-digit interest rates. Borrowers routinely pay more in fees than the amount they borrow for what is marketed as a quick fix for a cash shortage. Many end up with unpaid bills, overdraft fees, closed bank accounts and even bankruptcy.

"Over the past few years, payday lenders have aggressively pushed legislation in our state as part of their coordinated national agenda to loosen laws so they can continue to make triple-digit interest rate loans at 200% and 300% annual interest," said Susan McGrath, FCAN executive director. "The CFPB announcement reveals that the payday lenders are dangerously powerful in our nation, and we must not allow them to push our state legislators to authorize dangerous long-term loans as part of their predatory agenda. Rather, our state must enforce the rate limits already in place, and in fact, move to enact a 36% rate cap on short-term loans, which is something the CFPB cannot do."

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[1] Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law (March 2016, page 3) https://www.responsiblelending.org/research-publication/perfect-storm-payday-lenders-harm-florida

[2] ibid

Additional background on page 2:

Background:

16 states plus D.C. effectively protect against the harms of payday lending by capping the rate. However, the CFPB is not legally authorized to cap interest rates. The 2017 CFPB rule would help protect consumers by requiring lenders to make affordable loans – *loans that borrowers can pay back* without taking out another loan in order to cover living expenses.

Under the new CFPB under the Trump administration, the ability-to-repay provision is under attack by the same Bureau that wrote the rule two years ago. The 2017 rule is based on 5 years of research, data collection, field hearings, and nearly half a million public comments and no new evidence justifying repeal of the rule has come to light.

Payday lenders have a long history of exploiting loopholes where they can find them and creating more loopholes if they can. State usury caps prevent this exploitation. The rate cap also ensures that borrowers are protected against the harms of these high-cost loans regardless of whether they are structured as short-term or long-term loans.

A two-page summary of the original CFPB payday rule can be found here: http://stopthedebttrap.org/wp-content/uploads/2019/02/stdt-summary_cfpb_2017_payday_rule.pdf

Florida Consumer Action Network (FCAN) is a statewide nonprofit founded in 1984 which advocates for Florida consumers on issues including financial services, environment, health care, and insurance. FCAN is affiliated with Fair Share and the Consumer Federation of America.

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