



Working to Reduce Poverty in America.

September 29, 2016

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW., Washington, DC 20552

RE: Notice of Proposed Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans

Rule RIN 3170-AA40 Docket No. CFPB-2016-0025 12 CFR 1041 Citation: 81 FR 47863

Episcopal Liaison
The Most Reverend
David A. Zubik, D.D.
Bishop of Pittsburgh

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Dear Monica,

On behalf of Catholic Charities USA (CCUSA), we respectfully submit the following comments in response to the above-referenced Notice of Proposed Rulemaking.

CCUSA is a national membership organization that represents over 170 member and affiliate agencies. These member agencies operate more than 2,600 service locations across 49 states, the District of Columbia, and five U.S. territories. Their diverse array of social services reached more than 8.2 million individuals in need last year. In 2015 CCUSA and our member agencies provided vital asset development and financial services for 256,031 individuals. We see every day the plight of vulnerable men, women and families caught in the payday lending, car title loans and predatory lending debt trap. Many of these vulnerable people have to seek assistance with making rent payments, utility bills and other basic needs as a result of the payday debt trap. To help these individuals, Catholic Charities agencies often provide a number of services including financial coaching, referrals to anti-payday lending programs, workshops, tax assistance, matched savings programs and micro-loan programs.

We commend the Consumer Financial Protection Bureau (CFPB) for seeking to protect vulnerable individuals and families in time of financial crisis from debt traps designed around the borrowers' inability to repay their loan. This effort is a step in the right direction toward requiring a lender to determine a borrower's ability to repay, a longstanding principle of the U.S. banking system.

At the same time, we are deeply concerned that the proposed rule permits an exception from the borrower's ability to repay standard and would allow for six 300% interest payday and car title loans in a year. Six unaffordable loans in one year is too many, as even a single unaffordable loan can create a cascade of financial consequences for borrowers. A story from one of our member agencies highlights our concern:



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A client was referred from immigration services to Catholic Charities Fort Worth (CCFW). She paid for her citizenship class with her rent money and borrowed \$750 from a payday lender for rent. After fully reading through the agreement she signed, she immediately started paying back the next month. After paying multiple months she didn't understand why she was still seeing a reoccurring balance of \$900. She came to CCFW which examined the contract and saw she had an interest rate of 300% and each month's payments were being rolled over. She was enrolled in financial coaching and paid off her debt and will leave the program equipped with financial education and working towards becoming debt free.

Unfortunately, this story represents a common experience for nearly 35 percent of clergy and service providers who have provided money to persons for the purpose of paying off payday or car title debt. As stated by a local Catholic Charities provider, "time and time again we hear the same story of a person either tricked into refinancing their loan when trying to pay it, or finding hidden exacerbated rates. There are people in need of money, but there is absolutely *no* reason that it has to come from payday and car title lenders who are held to zero standards." Therefore, we urge the CFPB to create strong standards by **prohibiting** any exception to the ability to repay test for any more than one short-term loan in a year, and removing the free pass for six usurious loans in a year. A person's ability to repay should be considered in light of basic living expenses such as housing, food, utilities, transportation, health care, childcare, etc. In addition, while interest rates on payday and car title loans are not under the jurisdiction of the CFPB, we hope that the Congress and States will help end these predatory practices by enacting rate caps on these high interest rate loan products.

We are also concerned with provisions that would allow for repeated flipping of loans which typically results in an ongoing cycle of debt. The waiting period between loans has been cut to 30 days as opposed to the 60 days included in the preliminary CFPB proposal last year. This change, coupled with the six "exception loans," could result in 10 or more unaffordable loans a year. In addition, long-term loans (more than 45 days) allow lenders to refinance loans after a short period with no waiting periods—thus turning them essentially into a string of short-term loans. The protections against flipping these unaffordable longer-term loans must be significantly strengthened. Finally, the rule must do more to ensure that people have enough money to live on after making the loan payment. We worry that the proposed rule to assess a borrower's living expenses may be too easily manipulated by lenders in order to keep people trapped in unaffordable loans. These protections are not strong enough to counteract payday lenders adeptness at exploiting loopholes just as they did under the original *Military Lending Act* regulations. In addition, we see the damage of these usurious loans regardless if they are with short-terms of two-weeks or thirty weeks, and even when structured as high-cost installment

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loans. Strong protections are needed for these high-cost, unaffordable loans regardless of form, for the damage to the individual and/or family is the same.

Scripture teaches us to respect the God-given dignity of every person. Targeting our economically vulnerable neighbors for financial exploitation simply because they are poor is morally wrong. Credit should be used to help our neighbor, not exploit them. Pope Francis says, "When a family has nothing to eat, because it has to make payments to usurers, this is not Christian, it is not human! This dramatic scourge in our society harms the inviolable dignity of the human person" (January 29, 2014).

Catholic Charities appreciates the opportunity to provide public comment and remains encouraged by the effort of the CFPB to regulate payday and car title lending. Given the breadth and scope of the services of Catholic Charities agencies, we hope that you will give due consideration to our feedback, and work to strengthen protections from predatory practices in the final rule so that individuals have a fair chance at financial stability. In addition, CCUSA works in collaboration with the Society of St. Vincent DePaul and hopes that you take into consideration the recommendations put forth in their comments regarding the proposed Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans.

We look forward to working with you future engagement on this issue. For further information, please contact Lucreda Cobbs at lcobbs@catholiccharitiesusa.org.

Sincerely,

Brian R. Corbin

Brian R. Corbin
Executive Vice President
Member Services & Social Policy