

# Faith for Just Lending

a call to end predatory payday lending

February X, 2019

The Honorable Kathleen Kraninger  
Director, Consumer Financial Protection Bureau  
1700 G Street, NW Washington, DC 20552

Dear Director Kraninger,

We are writing as a broad and diverse coalition of Christian churches and organizations to express our concern over the reopening of the small dollar lending rule. The rule, as it was finalized on October 5, 2017, represented a long-awaited step towards protecting borrowers from the predatory and unjust business practices of payday and auto title lenders. It offered some hope for relief from the debt traps that have devastated so many of our members and vulnerable neighbors.

The reopening of the rule presents both a risk and an opportunity. On the one hand, if it results in delaying and weakening the rule, it will leave millions of vulnerable borrowers exposed to the predatory practices of payday and auto-title lenders. On the other hand, if you use the opportunity to close loopholes in the ability to repay standard, you will advance the CFPB's mission to protect American consumers.

We encourage you to take this opportunity to strengthen, not weaken, the rule. The rule as finalized seeks to protect vulnerable individuals and families in time of financial crisis from debt traps designed around their inability--as opposed to ability--to repay their loan. A strong rule must not only have strong upfront underwriting requirements, but effective back-end protections against repeated flipping of the loans as well. We believe that the rule was a step in the right direction, but more must be done.

As we have indicated in past correspondence with the Bureau, we are concerned that the rule as finalized puts forward an exception from the borrower's ability to repay standard which allows for six 300% interest payday loans in a year. This sanctioning of usurious loans not only contradicts our own faith traditions, but also contradicts the CFPB's own reasoning laid out in its rule. The CFPB recognizes in its proposal the harmful consequences of unaffordable loans, such as defaulting on expenses or having to quickly re-borrow. By the CFPB's own reasoning, allowing six loans in a year in rapid succession, as exceptions to the assessment of a borrower's ability to repay, is too many. We urge you to not allow this exception to the ability to repay test for any more than one short-term loan in a year, and certainly not to let stand the free pass for six usurious loans in a year.

On average, borrowers take out eight loans a year to repay the original loan. Weakening or eliminating the ability to repay standard will undoubtedly ensnare borrowers in a cycle of debt. Recent polling has shown that American Christians are united in their opposition to predatory

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lending. In a Lifeway poll commissioned by Faith for Just Lending, 77% of Christians polled agreed that it is a sin to loan someone money in a way that the lender gains by harming the borrower financially. Further, 94% agreed that lenders should extend loans at reasonable interest rates based upon an ability to repay.

Scripture offers guidelines for honorable lending and borrowing. Included among these is: 1) do not take advantage of the weak, 2.) do not charge usurious interest, and 3.) seek the good of the other. When evaluated against these criteria, the current debt trap created by predatory payday and car title lending systems falls short. A business that targets vulnerable people with a product that leaves most of its customers worse off does not contribute to the common good.

As you reconsider the rule, please use the opportunity to strengthen the rule in ways that more fully protect borrowers and their families from the destructive practices of payday and auto title lenders. Faith for Just Lending has advocated for a strong rule and was involved in the rulemaking process, including meeting with the former Director and senior staff on several occasions and the submission of comments from our various members. We look forward to working with you and your senior staff throughout this process.

Respectfully,

## Faith for Just Lending

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**Southern Baptist Ethics & Religious Liberty Commission**

**United States Conference of Catholic Bishops, Committee on Domestic Justice and Human Development**

**Catholic Charities USA**

**National Association of Evangelicals**

**National Latino Evangelical Coalition**

**National Baptist Convention, USA, Inc.**

**Cooperative Baptist Fellowship**

**Center for Public Justice**

**Ecumenical Poverty Initiative**

**Faith in Action (Formerly PICO National Network)**



THE ETHICS & RELIGIOUS LIBERTY COMMISSION  
OF THE SOUTHERN BAPTIST CONVENTION



COMMITTEE ON DOMESTIC JUSTICE AND HUMAN DEVELOPMENT

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