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Arizona Advocates Tell Consumer Financial Watchdog: Go Back and Get Payday/Title Loan Rule Right

As Time to Comment Closes, Groups Offer Comments

Tucson: The Southwest Center for Economic Integrity (CEI) today told the Consumer Financial Protection Bureau (CFPB) that a proposed rule to rein in the worst abuses of payday and car title lending will not do the job and protect the people of Arizona from payday and title loan predators and their debt trap products.

The message came via comments filed by CEI and Consumer Federation of America shortly before the official opportunity for the public to weigh in on the proposed rule closes on October 7. Consumer Federation of America will also file additional comments in this docket.

[CEI/CFA Comment Letter](#)

“Arizona consumers need stronger rules to curb abuses in the title loan market and to prevent payday lenders expelled from the state following the Prop 200 vote in 2008 from returning,” said Kelly Griffith, executive director of CEI. “By submitting these comments, we hope to remind the CFPB of why getting this rule right is so important and also help them understand why the rule as written will not work to stop the debt trap and protect Americans from payday and title loan predators.”

While payday lending is not authorized in Arizona, title lending is very big business. CEI and CFA estimated in a report [Wrong Way: Wrecked by Debt](#) issued in January that up to 285,000 Arizona consumers use title loans per year from 633 licensed locations, with the Center for Responsible Lending estimating that Arizona consumers pay \$254,924,519 in fees for title loans per year, making Arizona the 11th ranked state for the total paid for payday and title loans. Arizona ranks fifth in volume for title loan fees paid, just below Alabama, Mississippi, Ohio and Texas.

The proposed CFPB rule, unveiled in June, is centered around a smart, fair and flexible standard that requires all loans to be affordable and defines affordable loans as ones in which a borrower can pay off the loan on schedule and still be able to afford basic necessities of living. The rules will drastically change Arizona's title loan market where loan decisions are based on the lender's ability to collect by repossessing borrowers' vehicles or raiding consumers' bank accounts, not on consumers' ability to repay and still meet other obligations.

CEI and CFA call for stronger rules to prevent balloon payment traps, to safeguard consumers' bank accounts, and to support strong state usury laws, such as Arizona's Consumer Lender law 36 percent rate cap, since CFPB cannot set a federal usury cap. The Arizona comments call for strengthening several sections of the proposed rule, such as not allowing payday lenders to make six unaffordable loans before the responsible lending requirement kicks in. "CFPB must require payday lenders to determine the borrower can repay from the first loan, not after six triple-digit-rate loans leveraged by the borrower's bank account," Griffith said.

Arizona advocates told CFPB about tactics used by payday lenders to keep lending at triple-digit rates in Arizona following the 2010 payday loan sunset and recent industry attempts to win authorization for variations on payday lending to evade the anticipated CFPB rules, such as this year's Flex Loan bill, SB 1316. "CFPB should close all the loopholes and expand the scope of its payday/title loan rule to other forms of leveraged lending, such as covering loans secured by personal property," Jean Ann Fox, Consumer Federation of America, added. "This is not an industry that can be trusted to uphold the spirit of a law if they are not confined by the letter of the law. The CFPB can and must do better in its final rule."

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There is still time for individuals who wish to comment on the CFPB rule. Individuals representing only themselves can use this link to submit a comment

<http://stop paydaypredators.org/economicintegrity/>.

Southwest Center for Economic Integrity is a non-profit organization based in Tucson and works in rural, low-income communities in Arizona, New Mexico, Utah and Nevada. CEI advocates for reforms in the consumer credit market and led the No on Prop 200 campaign in 2008.

Consumer Federation of America is an association of non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education. The Southwest Center for Economic Integrity is one of its almost 300 member organizations.