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News Release: Consumer Financial Protection Bureau's Predatory Lending Rule Kept Intact

While Arizona organizations celebrated the clock running out for Congress to repeal protections against predatory lending debt traps under the Congressional Review Act, consumer advocacy coalition leaders also stressed the need for consumers to remain vigilant.

Consumer organizations, community groups, faith-based entities and citizens in Arizona and across the country urged Congress to oppose H.J. Res. 122 and S.J. Res. 56, measures that would repeal the Consumer Financial Protection Bureau's (CFPB) predatory lending rule. The CFPB rule establishes basic consumer protections on 300% or more interest loans: curbs the ability of payday and car-title lenders to trap consumers in an endless cycle of triple-digit interest rate debt for loans up to 45 days in duration; requires lenders to consider the borrower's ability to repay the loan while meeting other expenses and protects borrowers' bank accounts from repeat insufficient funds and other fees.

"The Consumer Financial Protection Bureau's predatory lending rule was crafted over several years of research, public input, and compromise," stated Diane E. Brown, Executive Director of the Arizona Public Interest Research Group (Arizona PIRG). "Requiring predatory lenders to make sure borrowers can repay their loans makes common sense and is long overdue".

Kelly Griffith, Executive Director of the Center for Economic Integrity, said "Even though Arizona voters said no to triple-digit interest rate payday lending, Arizona consumers have continued to pay up to 204 percent interest for loans secured by their vehicles. While Arizona decision makers should prohibit triple-digit title loans, the CFPB's predatory lending rule will now at least require some lenders to determine that consumers can afford short-term title and "registration" loans currently on the market in Arizona. The rule, in my opinion does not go far enough with regards to consumer protections. Given the recent deregulation efforts by state legislators spearheaded by AZ Attorney General's office, this modest rule will offer at least some basic protections for certain kinds of loans."

According to the Center for Responsible Lending, Arizona families pay an estimated $254,924,519 per year in fees for title loans with rates ranging from 120 to 204 percent APR. The lack of underwriting for ability-to-repay, high fees, and access to a borrower's checking account or car title enables lenders to repeatedly flip borrowers from one unaffordable loan to another.

"The good news is the predatory lending rule will result in fewer families falling into financial ruin," said Cynthia Zwick, Executive Director of the Arizona Community Action Association. "The bad news is that there are a number of bills still alive in Congress that would make it harder to detect bad actors and easier to introduce predatory products on a temporary basis. Consumers need to remain vigilant."

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