

The Honorable Richard Cordray  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, DC 20552

**Subject:** 25 organizations from Wisconsin comment on proposed rulemaking on payday, vehicle title, and certain high-cost installment loans

Docket number CFPB-2016- 0025 or RIN 3170-AA40

October 7, 2016

Dear Director Cordray,

The undersigned organizations thank you for your leadership of the Consumer Financial Protection Bureau, and for the tremendous steps that the agency has taken to defend the rights and interests of the populations we serve.

We respectfully urge the CFPB to issue a strong payday lending rule that will protect Wisconsin borrowers as well as consumers across the country from predatory lenders. It's time to stop the payday debt trap.

As you know, payday loans are designed to trap low-income borrowers in a spiral of perpetual and growing debt. Predatory lenders drain millions of dollars from our state's economy through fees and astronomical interest rates, particularly in already struggling communities. These loans also increase the likelihood of additional financial harm to borrowers, from increased overdraft fees to delinquency on other bills, bank account closures, and even bankruptcy.

In Wisconsin, payday loans carry an average annual interest rate of 565 percent, according to the state Department of Financial Institutions. Your Bureau has found that over 75 percent of all payday loan fees are generated by borrowers who take out more than ten payday loans a year -- another sign of the inherent unaffordability of these dangerous loans.

Predatory lending practices have devastating results for individuals, families and communities across our state. The impacts are felt most directly by people already in vulnerable positions. In our outreach over the past months, we have heard from hundreds of Wisconsinites who want the CFPB to end the debt trap. Susan, from Madison, told us that she grew up poor and watched many of the people she cared about "get suckered into impossible debt." Shelley, from Whitefish Bay, is a mental health practitioner who has seen "too many individuals and families in this debt trap." And Chandra, from Waunakee, saw someone she loved go \$10,000 into debt "over the course of a drug-binge weekend."

The CFPB's proposed rule is an important step forward for millions of Americans and for the people of Wisconsin who are struggling to escape the debt trap, but it must be strengthened to be effective.

The CFPB was right to base its proposal on the standard that borrowers should be able to repay their loans – but that standard must cover every loan, from the first one on. The proposed rule allows predatory lenders to make up to six bad loans before the crucial ability-to-repay test kicks in. We know that a single unaffordable loan is enough to trap borrowers into a dangerous spiral of debt.

We are also concerned that the rule currently allows too many repeat loans, in too short a window of time, which would encourage long-term indebtedness. We urge the CFPB to enact protections that will ensure a 60-day “cool-down” period between loans and that will limit “short-term” loans to 90 total days of indebtedness per year.

Finally, we encourage the CFPB to ensure that the rule does not undermine state-level protections that prohibit high-cost abusive loans. The rule should deem a violation of state law an unfair practice.

In Wisconsin, we’ve seen firsthand how adept predatory lenders can be at taking advantage of regulatory loopholes, and just how hard they will fight for further carve-outs to weaken crucial consumer protections. After years of lobbying our elected officials and spending tens of thousands of dollars on campaign contributions, the predatory lending industry won changes to Wisconsin’s consumer laws in 2011; since then, high-interest loans of 91 days or more are no longer considered to be payday loans – and they face less stringent disclosure requirements as a result. It is no surprise that long-term, high-cost installment loans have become increasingly widespread since 2011, while the volume of traditional payday loans has declined.

If the CFPB does not strengthen its proposal, predators will continue to find ways to trap Wisconsinites in dangerous financial products. We respectfully urge the Bureau to issue a strong payday lending rule to protect Wisconsin borrowers and consumers across the country from predatory lenders.

Thank you again for your hard work on behalf of consumers across the country.

Sincerely,

Wisconsin Public Interest Research Group (WISPIRG) Foundation

Wisconsin Catholic Conference

Wisconsin Council of Churches

WISDOM

NAOMI (North central Area congregations Organized to Make an Impact)

MICAH (Milwaukee Inner-city Congregations Allied for Hope)

CUSH (Congregations United to Serve Humanity)

SOPHIA (Stewards of Prophetic, Hopeful, Intentional Action)

ESTHER (Empowerment, Solidarity, Truth, Hope, Equality, Reform)

JOSHUA (Justice Organization Sharing Hope United for Action)  
Madison-area Urban Ministry  
Citizen Action of Wisconsin  
One Wisconsin Institute  
Wisconsin Community Action Program Association  
Couleecap, Inc.  
University of Wisconsin Law School Consumer Law Litigation Clinic  
Legal Aid Society of Milwaukee, Inc.  
Consumer Justice Law Center, LLC  
Fons Law Office  
Metropolitan Milwaukee Fair Housing Council  
League of Women Voters of Wisconsin  
Wisconsin Council on Children and Families  
Coalition of Wisconsin Aging Groups  
Urban Economic Development Association of Wisconsin  
Wisconsin Business Alliance