MCRC
MARYLAND CONSUMER RIGHTS COALITION

THE GOOD, THE BAD, & THE MISSING

from the 2016 CFPB Rule on Payday Lending

WHAT'S MISSING?

A requirement for an ability-to-repay determination on every loan, with no exceptions.

Limit total indebtedness in short-term loans to 90 days per year, consistent with the long- time FDICs standard.

Strengthen protections against flipping loans, especially for loans longer than 45 days.

Close the business as usual loophole in the ability-to-repay test by requiring lenders to show that loan payments will leave borrowers with enough money to be able to pay their necessary expenses.

Cover all loans that provide lenders extreme measures to extract repayment, including obtaining access to the borrowers checking account even after the first few days of the loan term, loans secured by personal property, and loans where the lender retains the right to garnish wages.

WHAT WORKS?

An ability-to-repay standard
based on the income and expenses of the borrower.

(This keeps lenders from providing loans that a borrower can never even dream of affording to pay back.)

An affirmation of the superior protection of state interest-rate caps
like the one that's been protecting Maryland consumers since the 1970s.

WHAT DOESN'T?

Exceptions to the ability-to-repay standard
The proposal exempts six high-cost payday loans from an ability-to- repay requirement altogether.

Allows for repeated flipping of payday loans
The waiting period between loans has been cut to 30 days (compared to 60 in the early proposal). This could permit lenders to put low-income borrowers in up to 10 predatory loans each year.

Includes a "business as usual" loophole in the ability-to-repay requirement
The rule does not go far enough to ensure that, after repaying the loan, the borrower will have enough money left over to pay basic living expenses without reborrowing. The proposal appears to require only that the lender not have default or reborrowing rates above those of other high cost lenders. So if every lender has high rates of default or reborrowing, there is no "best standard" being set.

SEND YOUR COMMENTS TO THE CFPB BY SEPTEMBER 18TH

http://stoppaydaypredators.org/MD/

Questions? Visit www.stopthedebttrap.org or email jen@marylandconsumers.org