

# MCRC The Voice For Maryland Consumers

## MARYLAND CONSUMER RIGHTS COALITION

*For immediate release.*

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### **National Payday Lending Rule Has Potential Pitfalls for Maryland** Advocates Say Rule Needs Work, Poses Problems for States with Stronger Laws

Baltimore – Today, the Consumer Financial Protection Bureau unveiled a proposal for a new national rule on payday and car title lending that purports to end the worst abuses of payday lending around the country, but could undermine the strong state usury and other consumer protection laws in Maryland and other payday-free states.

“Ninety million Americans – nearly a third of our country’s population – live in states that, like State, effectively ban predatory, high-cost payday loans, and we’re clearly all better off without them,” said advocates from the Maryland Consumer Rights Coalition (MCRC). “Unfortunately, the CFPB’s proposed rule includes a glaring loophole that would continue to allow payday lenders to make high-cost loans without assessing whether the borrower has the ability to repay.”

“The CFPB should use its full authority to crack down on payday and other high-cost loans, and send a strong message that any kind of predatory lending is unacceptable,” said MCRC. “This will deny the payday lending industry ammunition to disingenuously misrepresent that our nation’s consumer watchdog is giving predatory lending its seal of approval.”

“We urge the CFPB to issue a strong final rule that bolsters, and does not undermine, our state's protections, including by requiring an ability-to-repay assessment across the board and by declaring any violation of our state’s usury and other consumer protection laws an unfair, deceptive, and abusive act or practice.”

Advertised as a way to meet short-term financial needs, the actual business model of these loans is designed to trap borrowers in debt for years on end, extracting fees that quickly add up to far more than the amount borrowed.

The Maryland Consumer Rights Coalition and advocates from around the country have been pushing for a rule that simply requires these lenders to do what any responsible lender does already – to determine whether a borrower is likely to be able to pay back the loan, without defaulting on basic necessities like rent and groceries, and without immediately taking out another loan.

While the CFPB rule does create such an affordability standard, the rule also allows for too many exemptions and leaves open too many loopholes for that standard to meaningfully reduce the harm of predatory lending.

The rule will be finalized in approximately 90 days. In the meantime, consumers are encouraged to comment and suggest changes to the final rule that will close loopholes and remove exemptions. Comments can be offered at [www.stoppaydaypredators.org](http://www.stoppaydaypredators.org).