March 18, 2019

Kathleen L. Kraninger, Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Payday, Vehicle Title, and Certain High-Cost Installment Loans; Delay of Compliance Date, Docket No. CFPB-2019-0007; Document No. 2019-01905

Dear Director Kraninger,

On behalf of Prosperity Now, I am writing to express our strong opposition to the Consumer Financial Protection Bureau’s (CFPB or the Bureau) proposal to delay the August 19, 2019 compliance date for the Mandatory Underwriting Provisions of the 2017 Final Rule governing Payday, Vehicle Title, and Certain High-Cost Installment Loans (2017 Final Rule or Rule) by 15 months to November 19, 2020.

As a national organization, along with a Community of more than 24,000 practitioners, advocates and researchers across all 50 states and DC, focused on helping to make it possible for low- and moderate-income individuals and families achieve economic prosperity, we find the Bureau’s proposal to delay the 2017 Final Rule troubling as it prioritizes the financial interests of industry participants over the harm that this delay would cause to financially vulnerable consumers, especially those of color.

According to data from the most recent Survey of Consumer Finances from the Federal Reserve Bank, when durable goods, such as the family car, are removed, Black and Latino households have just a fraction of the wealth owned by White Households ($3,400 and $6,300, respectively, compared to $140,500). More than just the sum of one’s assets minus their debts, wealth allows families the agency to not only be able to take advantage of transformative asset-building opportunities that can allow them to move up the economic ladder, such as a higher education or homeownership, it also can help to ensure that the next generation has the resources they need to succeed. In addition, wealth also provides families with the cushion they need to weather financial challenges.

Unfortunately, the disparities in wealth facing Black and Latino households, as well as households of color more broadly, have left many just one unexpected financial crisis, such as a broken-down car, job loss or medical emergency, away from financial ruin. In fact, according to the 2019 Prosperity Now Scorecard, nearly three out of every five households of color (57 percent) lack the savings to live at the poverty level for three months in the wake of an unexpected financial emergency leaving them without stable income. By comparison, less than one out of every three White households (31.7 percent) in the United States find themselves in such a position.

Making these disparities worse, households of color are more likely than White households to be disconnected from the financial mainstream. As a result, these communities are not only at a disadvantage when they need assistance to weather a financial storm, or to make ends meet, but also are left more vulnerable to predatory financial service providers. On average, households of color today are four times (12 percent) more likely to be unbanked than White households (3 percent), meaning they do not have a bank account at all, and nearly two times (26 percent) more likely to be underbanked, meaning they have a bank account but also rely on alternative financial services, such as payday lenders, to carry out every day financial transactions. Over the course of a year, these alternative financial services can cost the average underserved household nearly 10 percent of their income.
For communities of color who live so close to the financial edge with very few resources to fall back on during hard times, disconnected from safe and affordable products and services, it is alarming that the CFPB is proposing to leave these and other similarly situated families exposed against an industry that thrives from the financial insecurities of our most vulnerable. Each year, through a combination of excessive fees and triple-digit interest rates, the small-dollar lending industry, including payday and auto-title lending, strips $8 billion from the pockets of hard-working consumers.

Given that Latino and Black consumers are 1.5 to 2 times more likely than White households to use payday loans, that payday lenders are more likely to intentionally target these communities, and that these communities are more likely to be victims of fair lending abuses, the Bureau's decision to seek a 15-month delay to the 2017 Final Rule would serve to widen the racial wealth gap even further. Moreover, by seeking to delay the 2017 Final Rule, the CFPB is willfully ignoring the harmful consequences it had identified in crafting the 2017 Final Rule, including consequences associated with reborrowing or defaulting on covered loans made without an ability-to-repay determination or having to put off necessary expenses in order to pay an unaffordable loan made without such a determination.

Ultimately, after taking more than five years to create the 2017 Final Rule, including gathering research and input from industry, consumer advocates and community stakeholders, as well as having reviewed over one million public comments, the Bureau should not seek to delay the implementation of this rule any further. By continuing forward with the current proposal, not only would the CFPB signal to payday lenders everywhere that it is acceptable to target and trap financially vulnerable consumers in long-term cycles of debt, it would also signal to consumers everywhere that the Consumer Financial Protection Bureau is no longer on their side. On behalf of low- and moderate-income consumers, we believe these consumers, and all other consumers, deserve better from an agency that was set up to serve them. We urge you to reconsider this proposal and that you work to provide relief and protections against predatory payday lenders for consumers everywhere.

Thank you for the opportunity to submit comments on this proposal. Please do not hesitate to contact me at dnewville@prosperitynow.org or Emanuel Nieves at enieves@prosperitynow.org to provide further information.

Sincerely,

David Newville

Vice President of Policy and Research

Prosperity Now

---

3 “2017 FDIC National Survey of Unbanked and Underbanked Households,” Federal Deposit Insurance Corporation (FDIC), Appendix, Pg. 6-7.
6 Diane Standaert and Delvin Davis, Payday and Car Title Lenders Drain $8 Billion in Fees Every Year (Washington, DC: Center for Responsible Lending, 2017)
7 https://www.pewtrusts.org~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf
8 Brandon Coleman and Delvin Davis, Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law (Washington, DC: Center for Responsible Lending, 2016)