What's Next: Dissecting New CPFB Payday Rule Changes!

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WELCOME

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Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
We open doors to opportunity for those who have been kept off the path to prosperity.

We help people build wealth by making sure they have what they need to build a better future.

We enable meaningful mobility through research, policies and solutions.
Since 1968, UnidosUS—formerly known as NCLR—has remained a trusted, nonpartisan voice for Latinos.

UnidosUS serves the Hispanic community through our research, policy analysis, and state and national advocacy efforts, as well as through programmatic work in communities nationwide. UnidosUS partners with a national network of nearly 300 Affiliates across the country to serve millions of Latinos in the areas of civic engagement, civil rights and immigration, education, workforce and the economy, health, and housing.
The mission of the Asset Building Policy Network (ABPN), a coalition of the preeminent civil rights and asset-building organizations, together with a financial institution, is to expand economic opportunities for low-income members of communities of color and close the racial wealth gap.

In addition to developing and promoting research and program solutions aimed at generating savings and strengthening household financial resiliency within communities of color, the ABPN focuses on systems and policy change across a range of areas—from financial services to entrepreneurship to immigration to the tax code—that impact wealth creation.
Overview of Payday Lending and the Payday Debt Trap

Evolution of the CFPB’s Payday Lending Rule

- How the 2017 Rule Planned to Stop Payday Debt Traps
- How the 2019 Proposed Rule Leaves Consumers Vulnerable to Predatory Payday Lenders

Payday Lending’s Impact on Communities of Color

What You Can Do to Fight Back and #PutConsumersFirst
Which of the following best describes your interest & experience in the payday rule?

- Payday advocate of 2+ years
- Payday advocate of less than 2 years
- New to the issue, but interested in getting more involved!

Tell us more in the chat box!
TODAY’S SPEAKERS

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Payday and auto-title loans are small-dollar, short-term loans that are usually due in full on a borrower’s next payday.

Payday loans are often pitched under the umbrella of providing access to credit to borrowers unable to access credit through mainstream avenues, but the reality is that payday loans are a boon for the lender and a long-term burden for the borrower.

Payday loans typically carry triple-digit interest rates, trapping consumers in a cycle of debt. The average annual percentage rate (APR) of payday loans is about 300%.
OVERVIEW OF PAYDAY LENDING AND THE PAYDAY DEBT TRAP

• 16 States & D.C. Protect Consumers from Payday Loans
• 29 States & D.C. Protect Consumers from Car-Title Loans
• 9 States Protect Consumers from Predatory Installment Loans

U.S. Payday Interest Rates
Calculated on a Typical Loan

- States with the Payday Loan Debt Trap
- States with Some Protections Against the Payday Debt Trap
- States where Rate Caps Stop the Payday Debt Trap

*New Ohio payday loan law changes go into effect in April 2019. This analysis reflects the law currently in place. For more info, see https://bit.ly/2Mi2rWW.
Center for Responsible Lending 2019. Typical APR based on average rate for a $300 loan advertised by largest payday chains or as determined by state regulator, where applicable.
Payday lending strips wealth from vulnerable consumers across the US. Each year, fees associated with payday loans strip $8 billion from the pockets of hardworking borrowers.

- 75% of payday lending fees are generated from borrowers with 10 or more loans a year.

- The typical payday borrower take out 8 loans a year—and spends more than 5 months in debt—leading them to paying more in fees than the amount first borrowed.
PayDay Lending is A Debt Trap

ON AVERAGE, A BORROWER TAKES OUT EIGHT LOANS OF $375 EACH PER YEAR AND SPENDS $520 ON INTEREST

<table>
<thead>
<tr>
<th>ORIGINAL LOAN</th>
<th>INTEREST</th>
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<tbody>
<tr>
<td>$375</td>
<td>$520</td>
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REPAYMENT AMOUNT $895

PAYDAY LOANS ARE SO UNAFFORDABLE THAT:

- 80% are rolled over
- more than 50% of borrowers take out 10 or more loans

One in five auto-title borrowers—20%—have their vehicle repossessed by the lender because they are unable to repay their loans.

Four in five auto-title loans are not repaid with a single payment.
- More than four in five auto-title loans are renewed the day they’re due because borrowers cannot afford to pay them off with a single payment.
- Only about 12% of cases do borrowers manage to pay their loan with a single payment and not quickly reborrow.

More than half of auto-title loans become long-term debt burdens.
- In more than half of these instances, borrowers take out four or more consecutive loans.

Borrowers stuck in debt for seven months or more supply two-thirds of title loan business.
- More than two-thirds of the title loan business is comprised of consumers who reborrow six or more times.
- In contrast, loans paid in full with a single payment make up less than 20% of a lender’s overall business.

Source: CFPB
The debt trap that often accompanies payday lending is not a bug—it’s a feature that is critical to the business model of payday lending.

Source: CFPB (April 2014)
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EVOLUTION OF THE CFPB’S PAYDAY LENDING RULE

History

▪ More than Five (5) Years of Research and Outreach

▪ Small Business Advisory Review Panel (SBREFA) – March of 2015

▪ Proposed Rule – June of 2017
  ▪ More than a million comments received

▪ Final Rule Released – October of 2017

▪ Core Elements of Rule Repealed – February of 2019
Rule Basics
▪ Short Term Loans (45 Days or Less) or Long Term Balloon Payment
  ▪ Payday loans & Car title loan

Core Elements of the Rule
▪ Ability to Repay (ATR) Underwriting Standard
  ▪ Common-sense requirement - typical of other types of loans – lenders must verify that borrowers can repay loan

▪ Rollover Prohibition
  ▪ No more than three (3) loans within 30 Days
  ▪ Mandatory 30 day cooling off period
HOW THE 2017 RULE PLANNED TO STOP PAYDAY DEBT TRAPS

**ATR Exemption**
- Three Loan Sequence
- 30 Day Wait
- First Loan - $500 Max
- Subsequent Loans – 1/3 Reduction
- No Auto

**Debt Limits**
- Six (6) Loans in Six (6) Months
- 90 Days of Indebtedness

**Account Withdrawals**
- First Attempt – Written Notice
- Two Consecutive Failed Attempts – Authorization
HOW THE 2019 PROPOSED RULE LEAVES CONSUMERS VULNERABLE TO PREDATORY PAYDAY LENDERS

Repealed Core Elements of the 2017 Rule

• Ability to Repay (ATR)
• Limits on Loan Flipping
• Duration of Indebtedness
• Registered Information Systems
• 15 Month Delay of Original Rule

Study Further Payment Withdrawals Protections

• Good News – Not Repealed
• Bad News – CFPB Might in Future
By repealing core elements of the 2017 rule, the CFPB is giving payday lenders a pass to continue with business as usual.
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PAYDAY LENDING’S IMPACT ON COMMUNITIES OF COLOR

Payday Lending Exacerbates The Racial Wealth Gap

MEDIAN HOUSEHOLD WEALTH, 1983-2016

$200K
$150K
$100K
$50K
$0


$105,300 $96,100 $166,300
$120,300 $140,500
$7,000 $11,600 $10,700 $2,000 $6,300
$4,100 $7,900 $10,500 $1,700 $3,400


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Payday Lending Targets Communities of Color

- In North Carolina, the Center for Responsible Lending (CRL) found that African-American neighborhoods have three times as many payday lending stores per capita as white neighborhoods. Even after control for other factors, this disparity remains unchanged.

- In the Maricopa and Pima Counties of Arizona—in which over three-quarters of Arizona payday lenders are located—African American, Latino, or Native Americans were more than 2x more likely to be a payday borrower.

- In Florida, UnidosUS and CRL found that payday stores are concentrated in high-minority areas in Florida with approximately 8.1 stores per 100,000 people in heavily Black and Latino communities, compared to four stores for neighborhoods that are mostly White.
Payday Lending Targets Communities of Color

- **In Michigan**, CRL found that while statewide there are 5.6 payday stores per 100,000 people in Michigan, payday store concentrations are higher in census tracts that have more African-American and Latino residents.
  - Census tracts that are over 25% and 50% African-American and Latino have 7.6 and 6.6 payday stores per 100,000 people, respectively.

- **In Colorado**, CRL found that majority-minority areas are nearly twice as likely to have a payday store than all other areas, and 7 times more likely to have a store than predominately white areas (below 10% African-American and Latino).
  - Affluent communities of color have a higher likelihood of containing a payday store, when compared low-income, predominately white areas.

- **In California**, the state’s Department of Business Oversight (DBO) found that in zip codes where the average number of payday stores were double the state average, the share of African Americans and Latinos in these zip codes was larger than their share of the state population.
“It [a payday loan] helps, but it also puts you behind due to the situation where it becomes a continued pay and borrow again.” - James in Orlando, Florida.

“I’ve probably paid between $1,500 and $2,500 in fees [for what was originally a $200 loan]…“It felt horrible. It felt like I was suffocating.” - Joe in Washington state, a Marine Corps combat veteran.

“It was difficult to survive and also provide for my family while also paying back the loan, especially with the high interest rates...It was very frustrating because there was no way to afford it. It was highly stressful, and emotional as well." – Ayde in Idaho, who originally took out loans—ranging between $700 and $1,000—from several payday lenders to fix her car.
“It’s been a painful experience. I am working solely for them now… I feel as if the world is crashing down on me.” – Mariely in Akron, Ohio, who took out $500 from a local payday lender to help pay for a family medical emergency in Guatemala. Ultimately she ended up paying more than $1,800 in fees to her lender.

“As a senior with a fixed income, it is hard to get by each month and now that I have this loan payment, I find myself trapped because I have to get behind on other bills to stay current on my loan… then I have to re-borrow to get current on my other bills.” – S. McWilliams of Boise, Idaho, who took out an initial loan of $350 that was renewed more than 24 times, leading the Idaho senior to pay more than $3,000 in fees.

“The truth is, it was terrible. You go there with the intent to get out of a bind, but instead it’s worse. The payments were too high.” – Damarys in Lorain, Ohio
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Use Prosperity Now’s and Stop the Debt Trap’s Advocacy Toolkits

**STOP THE PAYDAY LOAN DEBT TRAP**

- Social Media Toolkit
- 2019 Payday Rule Summary/Overview
- Sample Op-Ed
- Sample Letter to the Editor
- Talking Points

**www.bit.ly/paydayresources**

**STOP THE DEBT TRAP**

- Social Media Toolkit
- Sample Op-Ed Template
  - Op-Ed Writing Tips
- Sample Letter to the Editor
- Consumer Protections
- Federal Policy Brief

**www.bit.ly/PN_Payday_Toolkit**

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WHAT YOU CAN DO

• Gather local/state data and stories
• Sign on to our comment letters and submit your own
  • May 15 deadline
• Contact your Member of Congress using the script we've provided
• Submit a letter to the editor
• Join Prosperity Now’s social media push during National Consumer Protection Week (NCPW) on March 4
• Sign up for Prosperity Now’s advocacy center
Prosperity Now Advocacy Center

Take these 4 simple steps to push back on the Payday Rule changes!

1. Visit https://prosperitynow.org/take-action
2. Scroll over “Take Action” and select “Advocacy Center”
3. Scroll down and enter your email address and click “Sign Up”
4. Enter the remaining contact information fields so that we can connect you to the right legislator!
What questions do you have?

Share them in the Questions box!
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Expand Your Networks with the Prosperity Now Community

Sign up for listservs and working groups, volunteer to facilitate peer discussions, serve in a leadership role and more!

- Racial Wealth Equity Network
- Adult Matched Savings Network
- Affordable Homeownership Network
- Financial Coaching Network
- Taxpayer Opportunity Network (VITA/community tax prep)
- Campaign for Every Kids Future — Children’s Savings Accounts
- Medical Financial Partnerships Network (Health/Wealth)
- Innovations in Manufactured Housing (I’M HOME) Network

Visit any of the networks above at prosperitynow.org/getinvolved to get started.
Take action with Prosperity Now Campaigns!

Sign up to stay informed about the latest developments and opportunities to take action by joining one of our four federal policy campaigns.

**HOMEOWNERSHIP**

Homeownership is key to building wealth. Together, we will advocate for products and policies that provide more affordable homes to more people.

**CONSUMER PROTECTIONS**

Consumer protections create fairer, more transparent financial markets. Together, we will ensure consumers keep the safeguards they deserve.

**FINANCIAL SECURITY**

Safety net programs help protect vulnerable individuals and families from falling deep into poverty. Together, we will protect programs like SNAP, IDAs and more to help those in need when they need it most.

**TURN IT RIGHT-SIDE UP**

The vast majority of tax incentives go to those at the top, not to those who need it most. Together, we will turn our upside-down tax code right-side up.

Visit any of the Campaigns above at [https://prosperitynow.org/take-action](https://prosperitynow.org/take-action) to learn more and join.

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Take action today at https://prosperitynow.org/take-action

Here you can:

- Email a MOC
- Call a MOC
- Tweet at a MOC
- Schedule a Meeting
- Sign a petition
Thank You!

Please complete our survey!