Federal bureau seeks to drop payday lending rule

February 7, 2019

WASHINGTON—Consumer advocates and predatory lending opponents expressed alarm about a proposed rollback of regulation designed to protect vulnerable borrowers from escalating debt.

The proposed change would eliminate regulation requiring lenders to determine borrowers' ability to repay their loans before issuing them. The rule was proposed in 2016 and finalized in November 2017 but never implemented by the current administration. The proposal to rescind the rule is open to public comment for 90 days.

Kathy Kraninger, director of the Consumer Financial Protection Bureau, announced the proposed rule change Feb. 6, saying it would encourage competition in lending and improve borrowers' credit options.

'Unnecessary setback'

However, groups opposed to what they call predatory lending insisted the rollback would remove important protection for vulnerable borrowers.

Kathryn Freeman

“I am extremely disappointed by the decision of Director Kraninger to gut the payday rule. It offered important protections for low-income and impoverished Texans, and this decision is an unnecessary setback,” said Kathryn Freeman, public policy director for the Texas Baptist Christian Life Commission.

“We look forward to voicing the importance of meaningful reforms to this industry that has for too long taken advantage of Texas families through the comment period and invite other faith leaders to do the same.”

The Texas Fair Lending Alliance—a coalition of more than 60 faith groups, social service providers and consumer advocates—called the rule change Kraninger suggested a “harmful proposal to dismantle a good rule.”

“Removing protections essentially benefits predatory lenders but leaves average Americans in the dust,” a statement issued by the alliance read.

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The group noted average annual percentage rates on payday and auto title loans in Texas range from 200 percent to 500 percent.

“Texas stands out as having some of the highest rates and worst protections for payday and auto title loans in the country,” the alliance said, noting Texans paid $9.2 billion in fees on those type of loans from 2012 to 2017.

“During the same time period, 218,347 families lost a car to an auto title loan, often after paying more in fees than the value of the original loan. Unaffordable loans dominate the Texas payday and auto title loan market and hurt local economies.”

Richard Cordray, former director of the Consumer Financial Protection Bureau, criticized the proposed rule reversal on Twitter.

“It’s a bad move that will hurt the hardest-hit consumers,” Cordray tweeted. “It should be and will be subject to a stiff legal challenge.”