



October 3, 2016

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

RE: Docket Number: CFPB-2016-0025 or RIN 3170-AA40

Dear Director Cordray:

On behalf of the citizens of Tallahassee, Florida, I am writing in support of the Consumer Financial Protection Bureau (CFPB)'s most recent proposed rules that are intended to rein in the most predatory practices of high cost lenders, including payday loan and car title loan lenders. I also urge the Bureau to strengthen the rules by closing loopholes that lenders will use to evade the protections for consumers.

As the Capital City of the third largest state in the union, Tallahassee has invested greatly in our community's quality of life and business environment. We have a population within the city limits of just under 200,000 and at least 13 payday loan stores, about the same number as Starbucks or McDonald's. Like many areas of our state, the payday loan stores are concentrated in our communities of color.

I have heard from consumer advocates and citizens of Tallahassee about the struggle to break out of the cycle of debt caused by payday loans. Many Tallahasseeans complain about the high cost of these loans. But unfortunately the Florida legislature has placed within our state's law preemption language that appears to foreclose any opportunity our local government would have to reduce the cost of these loans.

Reports also document this industry's practices in the region and throughout the state. One of these studies found that last year, payday lenders in Florida charged, on average, 278% annual interest. In addition to the high fees, these lenders are stripping wealth from communities, namely African American and Latino communities, through high fees. One report found that payday lenders charge higher than average fees in our region of the state. Another report found that they collected \$311 million in fees from Floridians last year alone. This is troubling to say the least.

The rules proposed by the CFPB are what is needed for addressing these concerns. In particular, the core tenet of the CFPB proposed rule, a determination of an ability to repay (ATR) the loan, is crucial to protection of our citizens. However, this requirement



should be applied to all the covered high cost loans so loopholes to sidestep the ATR are not abused by payday and other predatory lenders.

Further, providing ample time between loans is crucial for keeping our citizens out of a debt trap. In Florida, consumers can take out another loan after only 24 hours of having a balloon payment automatically deducted from their bank account for the previous loan. As one borrower from our area of the state said, “The loans help for the first time you need it because it covers the money for any situation you come across. At the same time it places you in a rotating cycle because you need to payback money you didn't have in the first place having to take out another loan.” Data in Florida shows that 83% of borrowers take out almost 8 loans a year – clearly a debt trap. The CFPB proposes 30 days between loans, which I support. I advocate that any re-borrowing after a balloon payment should carry a 60-day waiting period, as the Bureau suggested in its preliminary proposal.

On a positive note, we are very excited about the growth in options for legitimate small dollar loans for consumers. Two prominent financial institutions — Envision and Florida State University credit unions — recently forged a unique partnership with Bethel Missionary Baptist Church to form the Frenchtown Financial Opportunity Center. This community credit union is just one example here in Tallahassee of an effort to grow this market. Credit unions and community banks are stepping up to provide small dollar loans at much lower rates that allow borrowers to spread payments over several months and build a credit history. Unfortunately, credit unions and others face an uneven playing field with payday lenders who do not have to assess a borrower’s ability to repay the loan. This may slow others from entering the market.

The proposed rules are an important step toward protecting consumers from predatory high cost loans. Tallahassee, Florida supports those rules and suggests strengthening them as outlined above. I appreciate the opportunity to have our voice heard on this consumer protection issue.

Sincerely,

Andrew D. Gillum
Mayor, City of Tallahassee