



FLORIDA ALLIANCE

FOR CONSUMER PROTECTION

For Immediate Release
October 5, 2017

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CFPB PUTS THE BREAKS ON PAYDAY LENDERS

TALLAHASSEE, FLA – The Consumer Financial Protection Bureau (CFPB) issued its final rule today that places much needed limitations on payday loans and other predatory loan products. The rules do not address the rates, leaving that up to the states. The proposal filed by Bishop Adam Jefferson Richardson, Jr. with the Constitutional Revision Commission to place a 30 percent rate cap on payday loans is still crucial to protecting borrowers in Florida.

The most important protection provided by the CFPB is the ability to repay the loan requirement. Lenders must verify borrower's income and expenses to be sure the borrower has the financial ability to repay the loan. The ability to repay requirement applies to loans that are 45 days or less, so that would include payday loans made here in Florida, which are by law limited to 31 day terms. The rules provide exceptions but overall the rules should address the ongoing debt trap these predatory loans create for consumers.

"Payday loans trap vulnerable Floridians in a cycle of never-ending debt causing damage to family financial stability," cautioned Rachel Gunter Shapard, Associate Coordinator for Cooperative Baptist Fellowship of Florida. "The CFPB's new rules are a step in the right direction."

"Payday loans are extremely high-costs loan for which the lender holds the borrower's bank account captive. These loans tend to trap borrowers in a never-ending cycle of debt," explained Lynn Drysdale, Division Chief, Consumer Advocacy and Litigation Unit, Jacksonville Area Legal Aid. "The CFPB's regulations will go far in ensuring, for the benefit of the lender and borrower, that the loan can be repaid. The regulations will also help stabilize borrowers' access to their depository accounts held by banks, credit unions and other financial institutions, which is good for the borrower and the institution. Studies from a number of sources consistently show these loans have a disproportionate impact on borrowers who live in communities of color, the military and elderly populations. I applaud the CFPB for taking aim at reining in the worst practices."

For more information about payday loans in Florida visit www.stophedebtttrapflorida.org.