

Democratic Legislators Submit Comments in Support of CFPB Payday Lending Rules

MADISON – Today, Representative Gordon Hintz (D-Oshkosh) and a group of his Democratic Senate and Assembly colleagues submitted a letter in support of the Consumer Financial Protection Bureau (CFPB) proposed rules that aim to protect consumers from the high costs and predatory lending practices of the short-term consumer loan industry. The letter documented Wisconsin's past efforts to protect consumers and encouraged the CFPB to strengthen their proposed rules to eliminate further loopholes currently being exploited by payday loan companies. The comment period for the CFPB payday proposal ends Oct. 7.

"As the industry continues to take advantage of Wisconsin consumers with a business model that sets borrowers up to fail, it is our responsibility as lawmakers to support basic consumer protections that help avoid the debt trap too many borrowers find themselves in," said Rep. Hintz.

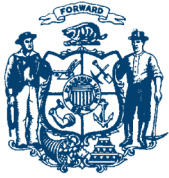
The CFPB found that four out of five payday loans are rolled over or renewed within 14 days. Their research documented that the majority of all payday loans are made to borrowers who renew their loans so many times that they end up paying more in fees than the amount of money they originally borrowed. The major tenet of the proposed rule requires lenders to consider a borrower's ability to repay the loan at the time the loan is made.

In the past, the payday loan industry has been very successful in convincing state legislators to dramatically weaken consumer protections. In 2010, then-Governor Jim Doyle signed the Predatory Lending Consumer Act into law, utilizing his partial veto to strengthen it. Less than a year later, Republicans took control of the Legislature and Governor's office and gutted the regulations at the request of the payday lending industry.

"Our experience in Wisconsin is an example of how the industry creates loopholes to undermine consumer protections and is the major reason we are asking the CFPB to strengthen their proposed rule," said Rep. Hintz.

The industry has also shifted their lending model to evade the intent of what remains of the Predatory Lending Consumer Act in Wisconsin. Instead of traditional short-term payday loans due in 90 days or less, the industry now provides installment loans of 91 days or more. After the law was passed, the number of payday loans dropped to 201,461 in 2012 from 1,686,734 in 2008. However, the number of unregulated installment loans jumped from 353,870 in 2008, to 858,741 in 2012. In 2015, just 93,740 (11% of all short term loans) regulated payday loans were made while 761,881 unregulated installment loans were made. In addition, 3,321 borrowers actually lost their vehicle due to their inability to make timely payments and repay their auto title loans in 2015.

Given the bipartisan support in 2010 for establishing consumer protections for Wisconsin borrowers, one would expect similar support for responsible lending rules that would help address Wisconsin's glaring loophole. However, on September 7th, 2016, it appears Assembly Speaker Robin Vos quietly submitted his



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own comments (attached) on behalf of the predatory lending industry to the CFPB opposing the payday lending rules.

"It appears directly overseeing the gutting of the Predatory Lending Consumer Act while he chaired the Joint Finance Committee in 2011 wasn't enough for Speaker Vos," said Rep. Hintz, "Now he has gone out of his way to personally write a letter opposing the concept that lenders should not lend more money to borrowers than they can reasonably pay back."

"At least Wisconsin Republicans are consistent. Whether it is the lead paint industry, the strip mining industry, the school privatization movement, the debt collection industry, or the payday lenders, it appears there is no constituency they feel is worth protecting over an opportunity to grab some campaign cash."

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