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WISPIRG

Statement: CFPB green-lights predatory payday loans amid COVID-19 pandemic

WISPIRG warns against payday loans to pay off bills

MADISON — The Consumer Financial Protection Bureau (CFPB) finalized a [rule](#) Tuesday that guts critical payday lending protections. These protections, including the requirement that lenders check if a customer can repay the high interest rates of payday loans before borrowing, were set to go into effect last year. But the Bureau's new leadership delayed implementation of the protections and pursued rollbacks of their core provisions.

The average annual interest rate of a payday loan was [528 percent in Wisconsin in 2019](#). The WISPIRG Foundation's [2016 analysis](#) of written complaints to the CFPB about payday loans found that 91 percent were related to unaffordability of these loans.

WISPIRG Director Peter Skopec issued the following statement in response:

"The CFPB, under Director Kathy Kraninger, just gave predatory payday lenders the green light during a global pandemic and economic crisis. Instead of implementing the original protections last year, the CFPB threw out five years of [careful research](#). Now that we're in the middle of an economic crisis, millions of Americans are vulnerable to predatory loans that will make a terrible situation worse.

"Payday loans are a debt trap, plain and simple. If you are having trouble paying your bills, avoid payday loans and seek out alternatives, such as loans from credit unions or from friends and family. Reach out to each company or person you owe money to and explain that you need help because of the coronavirus. Doing so might help you delay or reduce your monthly payments, or avoid interest and late fees.

"Consumers deserve protections from debt trap loans. The CFPB's wrongheaded action makes it all the more urgent that Congress immediately pass [H.R.5050](#), a bipartisan bill sponsored by Reps. Glenn Grothman (R-WI) and Jesús García (D-IL), to cap interest rates on predatory loans at 36 percent."

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