ABPN ASSET BUILDING POLICY NETWORK

May 15, 2019
Director Kathleen L. Kraninger
Attn: Comment Intake
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Proposed Rulemaking on Payday, Vehicle Title, and Certain High-Cost Installment Loans [Docket No. CFPB-2019-0006, RIN 3170-AA80]

Dear Director Kraninger,

On behalf of the Asset Building Policy Network, we write to comment on the Consumer Financial Protection Bureau's (CFPB) proposal to rescind key elements of the 2017 Final Rule governing Payday, Vehicle Title, and Certain High-Cost Installment Loans.

The Asset Building Policy Network, or ABPN, is a coalition of civil rights, community development and policy organizations, including a financial institution, committed to the following core goals: coordinating savings and asset building policy and advocacy efforts at a national level, developing a shared communications agenda and strategy, and building the capacity of Network members and their affliates. The ABPN seeks to improve the opportunity for economic progress for low-income individuals and families, especially communities of color, by increasing local access to responsible and appropriate financial products and services that can enable families to save, invest, preserve and build financial assets. The comments and recommendations within this letter are reflective of the ABPN as a body and not necessarily the position of each individual member.

As a collective of organizations who work on a range of issues that aim to strengthen household financial resiliency within low-income communities, particularly those of color, we believe that sensible consumer protections are key to helping households attain financial security and thrive. For this reason, we are concerned that the CFPB would consider undermining the payday rule it finalized in 2017, after years of careful research and outreach to a variety of stakeholders.

In doing so, the CFPB's proposal would leave consumers vulnerable to a cycle of debt perpetuated by payday loans that are anchored in unaffordability and reborrowing. In addition, the CFPB's proposal would also allow payday lenders to continue siphoning off what little wealth financially vulnerable families have, rather than ensuring that these households can safely navigate the financial market place in ways that allow them to thrive over the short- and long-term. This is particularly concerning considering the many economic challenges facing communities of color.

According to the 2016 Survey of Consumer Finances from the Federal Reserve Bank, White households at the median own nearly 10 times more wealth than median African American households and eight times more than the median Latino household. It's important to note that these figures include assets that either depreciate quickly or cannot be liquidated to weather a financial storm, such as the family car and other durable goods. When those assets are removed from the wealth holdings of these communities, median White households own over *40 times more* wealth than median African American households and 22 times more than median Latino households.[1] When it comes to the Asian American and Pacific Islander (AAPIs) community, recent research has found that today the bottom half of White earners now own double the amount of wealth as their comparable Asian American peers.[2]

More than just the sum of one's assets minus their debts, wealth allows families the agency to not only be able to take advantage of transformative asset-building opportunities, such as a higher education or homeownership, that can allow them to move up the economic ladder, it also can help to ensure that the next generation has the resources they need to succeed. In addition, wealth also provides families with the cushion they need to weather financial challenges.

Unfortunately, the disparities in wealth facing Black and Latino households, as well as households of color more broadly, have left many just one unexpected financial crisis, such as a broken-down car, job loss or medical emergency, away from financial ruin. In fact, according to the 2019 Prosperity Now *Scorecard,* nearly three out of every five households of color (57 percent) lack the savings to live at the poverty level for three months in the wake of an unexpected financial emergency leaving them without stable income.[3] By comparison, less than one out of every three White households (31.7 percent) in the United States find themselves in such a position.

Making these disparities worse, households of color are more likely than White households to be disconnected from the financial mainstream. As a result, these communities are not only at a disadvantage when they need assistance to weather a financial storm, or to make ends meet, but also are left more vulnerable to predatory and alternative financial service providers. According to the 2017 FDIC National Survey of Unbanked and Underbanked Households, households of color today are more likely to be unbanked than White households, meaning they do not have a bank account at all, as well as more likely to be underbanked, meaning they have a bank account but also rely on alternative financial services, such as payday lenders, to carry out every day financial transactions.[4] Over the course of a year, these alternative financial services can cost the average underserved household nearly 10 percent of their income.[5]

For communities of color who live so close to the financial edge with very few resources to fall back on during hard times, disconnected from safe and affordable products and services, it is alarming that the CFPB is proposing to leave these and other similarly situated families vulnerable to an alternative financial services industry that thrives from the economic insecurities of our most vulnerable. Each year, through a combination of excessive fees and triple-digit interest rates,[6] the small-dollar lending industry, including payday and auto-title lending, strips $8 billion from the pockets of hard-working consumers.[7]

Ultimately, given that households of color are more likely than White households to use payday loans[8] and that payday lenders are more likely to intentionally target these communities,[9] the Bureau's decision to rescind the heart of the 2017 Final Rule—the Ability to Repay (ATR) standard—along with its restrictions on reborrowing would only serve to leave these and countless other consumers unnecessarily exposed to harm.

After taking more than five years to create the 2017 Final Rule, including gathering research and input from industry, consumer advocates and community stakeholders, as well as having reviewed over one million public comments, we ask the CFPB to reverse course on the current proposed rule to rescind core provisions of the 2017 Final Rule and to implement 2017 Final Rule without changes.

Sincerely,

The Asset Building Policy Network

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[1] Emanuel Nieves and Dedrick Asante-Muhammad, *Running in Place: Why the Racial Wealth Divide Keeps Black and Latino Families From Achieving Economic Security* (Washington, DC: Prosperity Now, 2018).
[2] Christian E. Weller and Jeffrey Thompson, *Wealth Inequality Among Asian Americans Greater Than Among Whites* (Washington, DC: Center for American Progress, 2016).
[3] Prosperity Now, *Vulnerability in the Face of Economic Uncertainty: Key Findings from the 2019 Prosperity Now Scorecard* (Washington, DC: Prosperity Now, 2019)
[4] "2017 FDIC National Survey of Unbanked and Underbanked Households," Federal Deposit Insurance Corporation (FDIC), Appendix, Pg. 6-7.

[5] "Providing Non-Bank Financial Services for the Underserved," Office of Inspector General, United States Postal Service (Washington, DC: USPS, 2014)
[6] "Predatory Small-Dollar Lending Protections," 2019 Prosperity Now Scorecard, http://scorecard.prosperitynow.org/data-by-issue#finance/policy/predatory-small-dollar-lending-protections
[7] Diane Standaert and Delvin Davis, Payday and Car Title Lenders Drain $8 Billion in Fees Every Year (Washington, DC: Center for Responsible Lending, 2017)
[8] https://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf
[9] Brandon Coleman and Delvin Davis, *Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law* (Washington, DC: Center for Responsible Lending, 2016)