

Faith for Just Lending

a coalition to end predatory payday lending

August 16, 2016

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1275 First Street NE
Washington, D.C. 20020

Dear Mr. Cordray,

In June of this year, the Consumer Financial Protection Bureau, proposed new rules to curb predatory payday and car title lending practices. While we represent constituencies with a wide range of differing opinions about the CFPB, we are united in our desire to see predatory lending practices ended. Scripture teaches us to respect the God-given dignity of every person. Targeting our economically vulnerable neighbors for financial exploitation simply because they are poor is sinful.

In review of the rule proposal issued, it is clear that the draft rule seeks to protect vulnerable individuals and families in time of financial crisis from debt traps designed around their inability--as opposed to ability--to repay their loan. Requiring a lender to make a determination of a borrower's ability to repay is a longstanding principle of the U.S. banking system. A strong rule must not only have strong upfront underwriting requirements, but effective back-end protections against repeated flipping of the loans as well. We believe that these efforts are a step in the right direction, but more must be done.

We are deeply concerned that as proposed, the rule puts forward an exception from the borrower's ability to repay standard which allows for six 300% interest payday loans in a year. This sanctioning of usurious loans not only contradicts our own faith traditions, but also contradicts the CFPB's own reasoning laid out in its proposal. The CFPB recognizes in its proposal the harmful consequences of unaffordable loans, such as defaulting on expenses or having to quickly re-borrow. By the CFPB's own reasoning, allowing six loans in a year in rapid succession, as exceptions to the assessment of a borrower's ability to repay, is too many. The CFPB must strengthen its proposal to not allow this exception from its ability to repay test for any more than one short-term loan in a year, and certainly must not let stand this free pass for six usurious loans in a year.

Recent polling has shown that American Christians are united in their opposition to predatory lending. In a poll commissioned by Faith for Just Lending from Lifeway, 77% of Christians polled agreed that it is a sin to loan someone money in a way that the lender gains by harming the borrower financially. What's more, 94% agreed that lenders should extend loans at reasonable rates based on an ability to repay.

The Bible offers guidelines for honorable lending and borrowing. Included among these is: 1.) do not take advantage of the weak, 2.) do not charge usurious interest, and 3.) seek the good of the other. When evaluated against these criteria, the current debt trap created by predatory payday and car title lending system falls far short. A business that targets vulnerable people with a product that leaves most of its customers worse off does not contribute to the common good.

The CFPB is statutorily prevented from undertaking one of the most needed reforms: an interest rate cap that would prohibit usury. That is a role that falls to Congress and to state legislatures. Through the Military Lending Act, Congress has already instituted a 36% rate cap on loans to service members. Congress should extend this important protection to all Americans. States that currently do not regulate interest rates can learn from the example of those that do.

For our part, as Christians, we will continue to provide charitable assistance to those most in need, for whom loans of any kind are inappropriate. And we will continue to advocate for fair and just regulation of loans so that, when credit is made available, it is offered under terms and conditions that allow borrowers to resolve their problems, rather than become more deeply mired in them.

Sincerely,

Southern Baptist Ethics & Religious Liberty Commission
United States Conference of Catholic Bishops
Catholic Charities USA
National Association of Evangelicals
National Latino Evangelical Coalition
National Baptist Convention, USA, Inc.
Cooperative Baptist Fellowship
Center for Public Justice
Ecumenical Poverty Initiative
PICO National Network

