October 7, 2016

The Honorable Richard Cordray, Director
Consumer Financial Protection
Bureau
1700 G Street, NW
Washington, DC 20552

Re: People's Action Institute comments on proposed rulemaking on payday, vehicle title, and certain high-cost installment loans

Docket number CFPB-2016-0025 or RIN 3170-AA40

Dear Director Cordray,

People's Action Institute applauds the Consumer Financial Protection Bureau (CFPB) for releasing a proposed payday and car-title lending rule to rein in the most abusive practices of this industry. For far too long, predatory lending has exploited low-income borrowers through outrageous interest rates, high fees, and coercive practices that force borrowers into an endless cycle of debt, desperation and re-borrowing. Regulating the payday, installment and car-title lending industry is critically important, especially for the 12 million Americans caught in the debt cycle each year.[1] These rules are urgently and very much needed. However, in order to truly stop the debt trap and end the abusive lending practices so common across the industry, the rules must be made significantly stronger.

People's Action Institute is a leading voice for fair lending and economic justice. People's Action Institute, formed through a merger uniting Alliance for a Just Society, Institute for America's Future, National People's Action, and USAction Education Fund, is a national grassroots network comprised of over 50 affiliated membership organizations in 30 states. Nationally, our members have always stood on the side of economic justice against the strip-mining of our communities by Wall Street and the businesses that leech huge profits off of struggling families. In our more than forty year history, our legacy organizations spearheaded organizing campaigns that led to landmark policy changes fighting for fair lending and economic justice, such as the Home

[1] Pew Safe Small-Dollar Loans Research Project (2012). "Payday lending in America: Who borrows, where they borrow, and why.

Mortgage Disclosure Act (1975) and the Community Reinvestment Act (1977). More recently, our work was instrumental in laying the groundwork for critical financial reform initiatives such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) and the $26 billion Attorneys General Mortgage Fraud Settlement (2012). Our million-plus members stand united in demanding that people and planet must come before profits and businesses designed solely to leech profits off of struggling low-income households.

Our members have experienced the devastating impact of predatory payday and car title lending in their communities. The painful experience of payday loans for those we work with and represent in these comments is that they are by definition toxic. They do not relieve financial pressure, they exacerbate it. For those caught in the quicksand of predatory lending, the promise of help quickly evaporates and they find themselves saddled with high fees, impossible interest rates and coercive terms, leaving them worse off than they were before.

For over a decade, our member organizations and grassroots leaders have organized at the state and local level to shut down predatory lending practices by fighting for sensible rate caps, limiting loan roll overs, asking lenders to follow basic, common sense underwriting practices and limiting the number of payday lenders who can clog and exploit our neighborhoods. From California to Maine, grassroots leaders have won concrete reforms to limit the damage these predatory lending practices can cause and fought back industry efforts to repeal existing protections. Through our annual "Shark Week" week of action, we've shed light on the toxic impact of predatory payday loan sharks. We've gathered community leaders from across the nation to push for important wins like the Military Lending Act and push legislators for basic protections including at our 2016 Debt Nation conference in Washington DC.

On October 5, 2016, People's Action Institute and our partners at Americans for Financial Reform released a report titled Caught in the Debt Trap[2]. It exposes the devastation that payday, car-title and installment loans have wrought on the lives and financial health of nine Americans. A copy of this report is included within this comment package along with several other reports and videos produced by People's Action Institute and National People's Action on payday lending, its funding and impact.

These stories are just the tip of the iceberg. During the comment period, our members have submitted more than 100,000 comments, raising their voices to demand a strong rule that truly ends the debt trap. The need for strong rules reigning in the abusive practices of payday, car-title and installment lenders is clear. For a detailed response to the rule-making, please see the comment we are submitting with our partners from the Stop the Debt Trap Campaign. However, there are a few critical points we felt we must highlight here.

A strong rule must have one critical principle at its heart: the ability to repay. In order to be affordable, lenders must conduct basic underwriting on every loan, every time. The fundamental architecture of the debt trap today leaves borrowers with no choice but to re-

[2] Appendix I

borrow because predatory payday lending, car-title lending and installment loans have the means to force payment, to the detriment of other financial obligations, through the possession of a car title or through direct access to a borrowers' account. Currently, these lenders do not need to ensure that loans are affordable because they know they will be repaid, no matter the consequences for the borrower. Even a single unaffordable loan can set a family on the path to financial ruin. The ability to repay principle must be applied to every loan with no exceptions.

Predatory lenders have proved time and time again their willingness to exploit loopholes and cynically stretch the bounds of well-intentioned regulations. The CFPB must close loopholes within the rules that could allow unscrupulous lenders to perpetuate the debt trap. This includes allowing lenders to use low default rates as evidence that their loans are not exploitative and abusive. This means borrowers pay their loans, but are left with no ability to meet basic financial obligations and trigger a chain reaction of financial distress including skipping meals, lost housing, defaulting on other bills and more. Payday, car-title and installment borrowers are nearly twice as likely to file for bankruptcy[3] as people in similar financial situations without these loans and more than 92 percent more likely to become delinquent on their credit cards.[4] Low default rates in the payday and car title industry are likely evidence of coercive repayment devices– not evidence that loans are affordable. This is little more than business as usual for predatory lenders and this loophole must be closed.

The harm caused by these exploitative and abusive loan products is clear. More than half of payday borrowers today end up paying more in fees and interest than they originally borrowed.[5] The Bureau's own data found that one in five car title borrowers lose their car – often even after having paid the original principal back. As struggling families get caught in a cycle of debt and desperation, the ripple effects are felt throughout our communities. We must put people over profits and protect vulnerable families from deception, coercion and abuse. The over 1 million members of the People's Action Institute network urge the CFPB to enact the strong rule our families deserve.

Since the CFPB began considering rules regulating small dollar, car title and high-cost installment loans, People's Action Institute and our allies have tracked the money extracted from our communities on our Families Can't Wait website. All told, more than $13,367,890,000 has been stripped from the families who can least afford it – and from our economy as a whole.[6] And behind that number are countless people who are up at night wondering how they will get out of this trap or trying to determine if it's the food bill or the light bill that they won't be able pay after the payday lender gets to their account first.

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[3] Skiba, P.M. and Tobacman, J. (2008). "Do payday loans cause bankruptcy?" SSRN working paper.

[4] Campbell, D., Jerez, A.S., and Tufano, P. (2011) Bouncing out of the banking system: An empirical analysis of involuntary bank account closures. Harvard Business School; Agarwal, S., Skiba, P.M. and Tobacman, J. (2009). "Payday loans and credit cards: New liquidity and credit scoring puzzles?" NBER Working Paper.

[5] Consumer Financial Protection Bureau (CFPB). 2013. "Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings." CFPB: http://1.usa.gov/1aX9ley

[6] Please see www.familiescantwait.org for up to the minute calculations of the amount of wealth stripped from communities since March, 2015.

This is a historic moment: the CFPB has the chance to create the first common sense nationwide rules to rein in the flagrant abuses of predatory payday, car-title and installment lending. It is a moment that stands on the shoulders of hundreds of thousands of faith and community leaders who've raised their voices and demanded change. We strongly believe that the CFPB must craft the strongest possible rule to protect borrowers. Every day without a strong rule, nearly $24 million is lost by the families and communities who can least afford it. We are depending on strong, loophole-free rule to end the debt trap and ensure that every loan is affordable without delay.

Sincerely,

Liz Ryan Murray
Policy Director
People's Action Institute
L.RyanMurray@PeoplesAction.org

Appendix I
Caught in the Debt Trap Report

CAUGHT IN THE DEBT TRAP

STORIES OF PAYDAY AND CAR TITLE LOAN BORROWERS

BY ALLYSON FREDERICKSEN

PEOPLE'S ACTION INSTITUTE

AFR Americans for Financial Reform

IN JUNE, THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB) RELEASED A PROPOSAL FOR THE FIRST FEDERAL REGULATION OF PAYDAY, CAR TITLE, AND OTHER HIGH-COST CONSUMER LOANS.

After a comment period that closes on October 7, the Bureau will analyze the feedback and complete the crucially important work of crafting final rules with the potential to benefit millions of people across the United States.

THE DEBT-TRAP

The payday lending industry is in the business of kicking people when they're down. Lenders go after cash-strapped families with the offer of easy money to solve a short-term problem. Then they spring the debt trap, leaving borrowers to make triple-digit interest payments for months or even years on end. This is where the industry makes its money: more than 80 percent of payday loans are taken out just to pay off previous loans.[1] What makes it possible to operate this way is the extraordinary leverage that lenders gain either through direct access to a borrower's bank account (in the case of payday lenders), or through the power to seize a borrower's vehicle (in the case of title lenders). Using automatic withdrawals, payment for the payday loan comes out of borrowers' bank accounts as soon as their pay check is deposited, even if it means they don't have enough left to pay for food, utilities, or rent.

DRIVER OF INEQUALITY

Middle- and low-income workers and families are struggling to make ends meet. With more than half of all job openings paying less than $15 per hour,[2] an explosion of low-wage, no-benefit jobs has left a growing number of people with regular paychecks, but without the consistent ability to make ends meet – and with little to no savings.

These workers are the target customers for debt-trap lenders. While the loans are advertised as a way of dealing with a one-time emergency, seven out of ten payday borrowers take out their loans (by their own account) to help with utility bills, rent, food, mortgage payments, and other routine living expenses.[3] And because the average borrower ends up spending more in fees than the amount of the original loan,[4] the effect is almost invariably to compound the financial problems that lead people to borrow in the first place.

In this way, payday and car title lenders both exploit and exacerbate the trend of rising inequality, with all of its destructive and far-reaching implications. To compound matters, payday storefronts tend to be concentrated in communities of color. (In Charlotte, North Carolina, for example, census tracts with the highest proportion of people of color have 13 payday storefronts per 100,000 people, while the areas with the lowest percent of people of color have just two payday lending storefronts per 100,000 people.[5]) A disproportionate number of debt-trap loans go not only to people of color but, more particularly, to women of color. As a result, debt-trap loans widen already large racial and gender wealth disparities.

COMPOUND DAMAGE

These loans are hugely expensive. The average payday borrower ends up paying $520 in interest to borrow $375.[6] The typical car title borrower pays $1,200 in interest on a loan of $1,000.[7]

And, the damage does not end there. About one-in-six online payday borrowers eventually lose their bank accounts, despite their efforts to avoid it.[8] And, one-in-five car title borrowers are forced to surrender their vehicles, often only after making many onerous payments and sequencing through multiple loans.[9] In direct and indirect ways, these loans push people down and keep them there. For someone facing a financial emergency, the offer of a payday or car title loan is like "throwing bricks to a drowning man," as Senator Elizabeth Warren said in a Senate Banking Committee hearing earlier this year.[10]

REAL LIFE STORIES

The following pages include stories of real people who have experienced the impact of payday and car-title loans personally and in their communities. *These stories show just how hard it is to get out of the cycle of debt created by high-interest loans. Like the great majority of people in the U.S., they recognize the need for and are demanding tough regulation of payday-style loans, and given their experiences it's not hard to see why.*

DOROTHY LEWIS II

CINCINNATI, OHIO

I am a single mom living in Cincinnati. My baby girl Cari'el is 1 year old and my son Ja'mere is 5. Everything I do is for them. I try to do my best for my kids, but sometimes people make it so hard. My son and I had to live in a shelter three years ago and I don't want to go back there. I will do whatever I need to do so I can keep my car and my job. I refuse to be homeless.

I use my car for everything. I take my kids to daycare, I go to work, I go to the store. Cincinnati's bus system isn't that good and it doesn't go where I need to go, so I have to use my car. My job is a 45-minute drive or a two-hour bus ride from my house. If I don't have my car, I'll lose everything. Back in July, my car broke down, so I took out a $700 car title loan to fix it and to help cover some unexpected expenses. In just two months, my car title loan went up to $1,500.

When I took out the loan the people at the title loan place were so nice. They said they would work with me to figure out a way to pay them back. They said they would help me put together a payment plan. When I called back to set up the plan, they said they didn't know what I was talking about. They said I had to pay off half of the loan plus interest in 30 days or lose my car.

I've started to park my car in different places at night because I'm afraid I'll wake up one morning and find they took it. It's like I went in to borrow a nail from my finger but now they want my whole arm and a leg. All I want is for the loan company to work with me to get a plan together so I can pay them back. It's like they don't want me to pay the money back. I honestly don't know how I'm going to do it. I feel like they just want me to keep borrowing and keep borrowing and be in debt forever.

These car title loan places and other businesses like that need to stop making money off of other people's troubles. It ain't right and it has to stop. ■

JOHN McGEE

OCONTO FALLS, WISCONSIN

I am disabled, unemployed, and live off of my Social Security Disability Insurance check. In 2008, I borrowed $300 against my disability check, which would have a $75 fee if I paid it in 30 days. Later that month when I had some checks that were going to bounce, I took out $200 more, so now I owed a $125 fee, every 2 weeks, when I got paid.

I was able to pay the fees, but nothing on the principle. And, the money wasn't in my account on time so the checks I was trying to cover bounced anyway. So, my bank charged a fee for the bounced checks and the lenders charged a fee for the loan. I couldn't keep up.

The loans made my life miserable. Living on the edge, I didn't have a lot of money coming in. With all the fees, it was mind-boggling how a relatively small loan could cost so much. I would have had to pay $750 on the $500 loan if I had actually been able to pay it on time. Instead, my checks kept bouncing, and the fees added up. I refused to continue to pay into their deceptive game.

The relief from the debt trap came in 2012 when I moved into low income housing. With my rent tied to my monthly income and the inclusion of basic utilities into my rent, I have been barely able to make ends meet, so I try to pay my bills first and I don't have any credit cards.

Being disabled, it is very difficult to find a job and make ends meet if anything unforeseen comes up. I believe that payday lenders take advantage of people like me who can't really afford to borrow money – they lure people in and once they've got you hooked, you're hooked. If they could charge a more reasonable finance charge and it wasn't an astronomical fee, I could see it helping, but instead they charge as much as they want.

After this experience, I was able to get a Kwik Cash loan on my checking account to cover bounced checks. My Credit Union has helped me with a loan I can afford to repay to help fund the book I am writing. I think it is very important that people have access to loans that won't catch them in this trap, but there aren't enough opportunities like that out there yet.

I believe that payday lenders are taking advantage of people and ruining their lives. These lenders tie people into a vicious cycle, and they are fully aware of what they do.

When I borrowed money from the payday lender, the woman at the counter was very welcoming, but she openly acknowledged the products were terrible and that she would not let her daughter take out a payday loan. Payday lending is legalized loan sharking. The only difference is that they don't literally come break your legs if you can't pay.

My advice: when you see a payday lender, run the opposite way. They're not good for you. Once you get hooked, you're screwed. ■

PAYDAY LENDING IS LEGALIZED LOAN SHARKING.

JOHN **McGEE**

BILLIE ASCHMELLER

SPRINGFIELD, ILLINOIS

I am disabled and live on a very fixed income. I took out a $1,000 title loan last December because my daughter was seven months pregnant and she didn't have anything for the baby. It was winter and she didn't have a coat for herself, let alone a car seat or a crib. I took out the title loan so I could help get her started and help when the baby came.

Every month I pay $150 on the loan. So, almost a year later I've paid $1,500, but I still owe over $800. I'm not even paying down the loan; I'm just paying interest. And even doing that means that I can't cover my basic expenses. One month I couldn't make my title loan so I took out a payday loan to cover the payment. I was desperate. I didn't want to lose my car, but I didn't realize all it would do is make matters worse. They didn't ask if I could afford the loan or if I had other debt or anything. They took a copy of my bank card to make sure they could get into my account and that's all that mattered to them. Every month, they just grab the payment straight out of my account. And, if there isn't enough in there to make the payment, they charge me $25 more. I feel like I'm a hamster on one of those wheels. I just keep running and running and I never get anywhere. There's nowhere to turn. I have a title loan and a payday loan now and it's a struggle to make the payments. Sometimes, I just don't have the money, but they've got my title, so I have to pay.

Up until this month, I was living in my car. You can't imagine the stress of living in your car and knowing those people are holding the title. What if they come and take your car with you and everything you own in it? I finally moved into an apartment and it took my whole check to do it; I don't even have money left over for food. Thank God there's a food bank around the corner or I wouldn't have anything to eat. Moving in took everything, and now I can't pay my car title loan or my payday loan payments.

They just called me up to ask for their payment and I told them I don't have anything left. I can't make money appear. They know I'm on a fixed, monthly income. They know it does no good to call me up in the middle of the month because I've got nothing. But they still call. They even called my dad and my best friend trying to get them to make me pay the loan.

You know the funny thing? When I went to the payday loan store, they told me that the government is breathing down their necks and asked me if I could advocate for them so they could keep their loans available. I told them I couldn't get involved in that. I didn't tell them I've been standing up and asking for fair regulations. These people prey on poor people like me.

It's scary to tell my story, but someone's got to stand up. Someone's got to tell people what's going on and what the payday lending industry is doing to us. They are profiting off the backs of poor people. It's predatory, plain and simple, and it's got to stop. ■

YOU CAN'T IMAGINE THE STRESS OF LIVING IN YOUR CAR AND KNOWING THOSE PEOPLE ARE HOLDING THE TITLE. WHAT IF THEY COME AND TAKE YOUR CAR WITH YOU AND EVERYTHING YOU OWN IN IT?

BILLIE **ASCHMELLER**

MARY SCHMIDT

ST. CHARLES, MISSOURI

I am a life-long resident of the St. Louis area with a good job. Payday loans almost ruined my life. It all started for me back in 2002 or 2003. I had an emergency and took out a payday loan. Instead of getting me out of the hole, it began a cycle that I've been trying to get out of ever since. Since my first loan I've probably had 15 loans, each to make payments on the one before. I remember going from store front to store front; getting a loan from one just to walk down the street to use the money to pay off another. I just couldn't keep up.

I work for the school district and we're paid every two weeks. Sometimes my salary doesn't stretch, and especially with payday loan payments piling up it can be impossible to pay all of the bills. So, on a $300 loan, I'd pay the minimum interest, which wouldn't pay down the loan. I was just throwing them money. Before I knew it, I owed them $500 on a $300 loan. I was just drowning. I couldn't pay my house payment or my car payment. I couldn't pay my student loan, would be short on food money, and got behind on utilities. I ended up losing my house. But I still went back to them to keep going – I didn't see any other option.

People can't understand how I could be having trouble. I have a good job and I work a second job as a DJ, but the way these loans pile up, I just couldn't keep my head above water. It got so bad that one of my friends paid off one of my loans as a birthday present to me. But even with that help, the debt just kept piling up. The payday lenders were even threatening me at work. Saying they would call my Human Resources department, threatening to sue me. I spent so much time living in fear. I lost sleep; it really affected my sense of self-worth and overall, just caused and causes a huge amount of anxiety. Even now as I'm trying to pull everything together, they're still calling, threatening to garnish my wages.

They make it so easy and make it sound like it's such a good idea. All you need is a pay stub. I wish I'd never done this. It's set my life back, it really has. I have a friend who works with me and she has the same issues sometimes with making ends meet. I remember telling her once she should go to the payday lender. She said. "I'd rather not eat than get wrapped up in the payday trap." She's smart.

Take it from me, first-hand, as someone who got sucked in: don't go there. You think you can stay on top – but there's so much that's pressing.

These companies are just raking it in and stealing people's lives. Without payday loans I'd be able to invest in a home, get furniture. My life would do a big turnaround. I would have been able to keep a home. Now my credit is totally shot and my dream of opening my own business is off the table.

I really wish I'd never done this. I'm working now on rebuilding my life and I'm not going back to the payday lenders. I'm hoping my story will help others to know they're not alone if they're stuck like I was. We need to do something about the payday loan industry. We have to get these guys under control. ■

HAROLD CARNES

LAS VEGAS, NEVADA

I've been in the fast food business for 21 years. Four years ago, I came down to Las Vegas from Pittsburgh with my wife and stepdaughter. My wife had family nearby, and with credentials as a manager at Wendy's and experience at Panera and Au Bon Pain, I thought I would easily get a job as a manager down here.

The day I went in for a job interview at Wendy's it was well over 100 degrees so I didn't wear a suit and tie. The store manager wouldn't even talk to me because of my clothes. Things went quickly downhill from there.

I was able to get a job at McDonald's, and things were okay for a little while. I was the only one in our family who was working, so things were still tight. About two years ago I heard about the Fight for $15, and I decided to get involved.

As soon as McDonald's found out I was involved in the Fight for $15, they started cutting my hours. We moved into a weekly rental, but I soon realized that even though everything is included, they're actually really expensive. And, if you don't have the money right away, they will just put you out on the street. We had to find some way to pay.

That's when I first got involved with payday loans. My first loan was $500 at Rapid Cash. I didn't want to take out that much, but they encouraged me to take out more than I really needed so that I'd have some extra money.

I was able to make the first payment, but then my hours at work were cut even more. The next paycheck was only about $200, so I couldn't afford the $143 I owed on the loan and pay our rent. So, I went over to Money Tree and took out another loan for $300 to cover rent. They knew I had another loan already, but they still loaned me the money.

At that point, I didn't really realize that my hours had been cut because of the Fight for $15. I knew I was a hard worker, and had even gotten Employee of the Month, so I was sure my hours would pick up again. When they didn't and it came time to pay back both payday lenders, I didn't have the money, and didn't know what to do. Thankfully, my church stepped in and made the payments. I know we would have been out on the streets otherwise. Of course, my hours didn't improve at McDonald's, and the church just made one payment. So, because I didn't want to over stretch my welcome at church, I took out another payday loan, and now had three outstanding loans.

Everyone was demanding payment. I was getting phone calls every other day from one company or another. I tried to explain to the lady that there's no way I can actually pay. Even if we tried to set something up, my commitment wouldn't be worth a nickel, with McDonald's cutting my hours.

About a year ago I went to work at Five Guys, a burger and fries place, and was finally able to get some more hours. Things started getting a little bit better, and then my grandson was born. So now we're all together, but there's no extra money to pay off the loans. I've stopped making payments altogether. Even if they took me to court, there's just no money and no way I can pay them back.

Sometimes I wish that they wouldn't have let me take out the second and third loans. Those companies knew I had an outstanding loan to another company, but they loaned me the money anyway. I don't know what we would have done, but it would have saved me from being even more in debt. Now my credit is basically zero.

Real people need a voice in the state assembly to stand up to the payday loan industry, so in 2018 I'm going to run for state assembly. There are a few politicians standing up for people like me, but too many have forgotten that there are real people struggling and don't care that payday loan places are taking advantage. ■

PAUL HEROUX

ORLANDO, FLORIDA

I own a painting and handyman business in Orlando, and even without taking out payday loans I've experienced their impact. When my customers and community members face financial turmoil, many turn to payday lenders. If that happens, I can reasonably assume they won't be coming to me with any new projects until their debt is paid and, for some, it could be quite a while.

My company provides affordable repairs and renovations; services that are especially needed by homeowners and business owners in low-income areas. But, when their money is tied up in fees and interest associated with their payday loan they are forced to let that leaky faucet go, or hope the hole in their fence "fixes itself."

Here in central Florida, payday lenders mark every corner with at least one retail location. In poor neighborhoods with people of color, some corners are home to two or three brick and mortar lenders. It came as no surprise to me when I learned that payday lenders outnumbered McDonald's locations nationwide. The impact of that is staggering.

Whether lured in by their check cashing, free money orders, or a quick fix, payday borrowers often borrow repeatedly. Before they realize it, they've paid the loan back ten times over in interest and fees.

I'm lucky that I never resorted to a payday loan, but I also feel cheated by the industry. I'm being cheated out of business and cheated out of the ability to help people improve their lives by repairing or renovating their homes or businesses.

When we let payday lenders extract wealth and resources from our communities, the communities that my business and other small businesses in the Main Street Alliance rely on, we let those nefarious lenders take money out of our cash registers and off our revenue sheets. A business model that requires the extraction of wealth from a community, and the temporary removal of borrowers from the local economy, has no place on Main Street. Payday loan sharks are hurting my business, they're hurting my neighbor's businesses, and they're crippling low-income households and communities. ■

I have used payday lenders on and off my entire life to try to help make ends meet. I currently have two outstanding payday loans that I'm working to pay off and it's time for me to get the predatory lenders out of my life.

When I was younger, I used payday loans to make ends meet and had some luck paying them off, but I recently became the sole provider for my family after my husband had a stroke and lost his job. There is no way we can afford that debt trap anymore. I'm coming closer to retirement; I realize now that payday loans are truly predatory and not something I need in my life.

I am just about paid off on my two loans, finally, and I want to share my story to teach younger people about the dangers of payday loans. When you feel like you have no other options, many people end up at payday lenders, but it's obvious that it puts you in a trap.

Payday loans feel like a financial roller coaster, because it's another person in your checking account with permission to take your money. You're never really sure if your account is up or down. These loans have added a great amount of uncertainty to my life, both in the lucky times where I was able to pay the loan off quickly, and other times when I got stuck in their trap.

Unexpected costs have completely thrown my budget off at times, and then the service I was trying to use to make ends meet actually made my situation even worse. I had payday bills to pay on top of my other expenses. Add in the extra fees and high interest rates, and the extra money from the payday loans was more expensive than I could afford.

Even though I was working, I wasn't making ends meet, leading me to feel very depressed.

One of the reasons these loans are so predatory and expensive is because it takes so long to start paying off the principle. They should let borrowers pay a portion of every payment toward the principle so people can get out of these traps, but instead you're just paying off interest without even touching the principle. You can make payment after payment and not get any closer to actually paying off the loan.

If I had never taken out a payday loan, I would feel much easier about my finances. I would not be stuck knowing that I can't pay my credit card bill on time because I know the money has to be in my account for the lender to take it. I wouldn't have to worry about someone else taking money out of my checking account that I might need for our basic needs.

On top of this, payday loans are not even supposed to be legal in the state of Georgia, yet in reality they still exist.[11] Places like InstaLoan and Covington Credit change the way they talk about the loans, but at the end of the day they're doing the same thing – tying us up in debt traps. ■

JOSIE HOPE

STONE MOUNTAIN, GEORGIA

JANE McCARTHY

OPA-LOCKA, FLORIDA

Unfortunately, I've been caught up in the predatory payday debt trap a few times in my life. Each time, I had an emergency and I took out a loan that I thought would make things better, but it only made things worse. I'm sharing my story because I want people to know what they are getting into, and because we need better options.

I work at a hospice facility in Miami, Florida. I'm working to care for people at the end of their lives every day, and my salary doesn't leave me with a lot left over in my budget. I live alone and I'm helping my daughter out with her schooling as she studies for her master's degree in Psychology in Davie, Florida.

When emergencies come up it's hard to know where to turn. Ten years ago, I needed extra money to pay a bill I wasn't expecting so I took out a $500 payday loan. I thought it would help me get things back on track, but I was wrong. In two weeks, the whole loan plus interest was due. I paid the loan, but then I couldn't pay my other bills. So, I had to borrow again, and again, and again. For six months I just kept getting in deeper and deeper. It is a vicious cycle. Once you get in, it is so hard to escape. In the end, I had to keep borrowing and borrowing until I got my tax refund and I could finally escape the cycle, at least for a time.

The second was a car title loan I took out for $500 to help get my daughter to Atlanta to start college. For a $500 loan, I had to pay $98 every month. Halfway through the loan, my daughter needed to come home unexpectedly so I had to take out another $300 on the loan. In the end, it cost me almost $2,000 and it took me over a year to pay it off. My last predatory loan was an installment loan for $300 and I had to pay $68 every pay period and I couldn't keep up with my bills and keep paying. I skipped meals and cut back on groceries just so I could pay back the balance early. It would have cost $1,500 total if I'd paid it back on their schedule, but thankfully I was able to pay it off sooner.

Even after I paid it back, they pressured me to borrow again. They keep emailing me, trying to get me to take out larger and larger loans, but I'm done with payday loans now. They are vicious.

I just got out of debt for the last time a few weeks ago and I know people who are still stuck in the debt trap right now. These lenders are all around us. It's bad for the community and bad for families because they always hurt more than they help. By the time you pay them off, you've paid the lenders three or four times what you borrowed and you are further behind than ever.

I want to be sure that people know how hard it is to escape these loans once you fall into the debt trap. And I want the CFPB to know we need good credit options, not loans that drain you dry paycheck after paycheck. If there's an emergency or an unexpected bill, there needs to be somewhere we can go for a small loan that doesn't trap us in debt.

We need reasonable interest rates and people need the chance to pay down their debt so they can take care of their families. ■

I WANT TO BE SURE THAT PEOPLE KNOW HOW HARD IT IS TO ESCAPE THESE LOANS ONCE YOU FALL INTO THE DEBT TRAP.

JANE **McCARTHY**

LA SHARON ALLEN

SACRAMENTO, CALIFORNIA

My experience with predatory lending began in 2000, when I lost my job of 13 years at a nonprofit. I was collecting unemployment until I was hired by the State of California. Although I had a job, rent came due between my last unemployment check and my first paycheck, and one of my friends suggested payday loans.

They sounded very easy and convenient, and I thought it would solve my problem. What I didn't know is that with the fees and how they structure the loans, you will be short again when the loan is due. I began to realize, as I was stuck in it, that I would never get ahead. I eventually paid my way out after four months, but I was determined not to go back.

Unfortunately, when state employees were forced to go on furlough in 2008, my paycheck was docked 5 percent each month, and this rose all the way to 15 percent during the worst of the furlough. Although it was the last thing I wanted to do, I was pulled into the payday loans again. With my docked pay, I needed to get a loan to pay my rent, but then I couldn't make the payment on my payday loan.

The lenders know that you will be short, so you get stuck in their racket. I wanted to try to set up a payment plan, but they were adamant that they only accepted full payments. So, I had no way to pay my rent, car payment, support my family of five, put food on the table, and keep up with my payday loan.

> **MY TAKE AWAY FROM BEING CAUGHT IN THE PAYDAY LOAN DEBT TRAP: NEVER DO IT.**
>
> LA SHARON **ALLEN**

The furlough reduced my paycheck at increasing rates, but the lender continued take the payment from my bank account when the loan was due. My bank limited the number of check bounces to three, but I was charged overdraft fees multiple times and finally, when I went to the bank to cash a check, I was told that the check would need to be deposited to balance my account and that my account would then be closed. As a result of my payday loan, I lost my bank account.

I was forced to file for bankruptcy. Since that point, the furlough has been lifted and things are better financially. Because of my bankruptcy, the debt I owed was forgiven. But still, the debt collectors keep calling. I have been harassed at my workplace, called constantly, and the debt collectors have even called my supervisor threatening to send police to my place of work. Owing debt to a payday lender is very stressful. You hate yourself for even getting into it, and you wish there were other options.

In my community, I know there are lots of people affected by the debt trap. I often pass by the storefronts – there are a few on my way to work. The signage is attractive, and the locations are really convenient. They even have people standing out on the sidewalk flagging you into the store.

The payday loan industry knows exactly who they are targeting. I don't think you would see them in affluent neighborhoods; they are everywhere in poor neighborhoods. They know where the low income areas are, and where people have received pay cuts or lost their jobs. My take-away from being caught in the payday loan debt trap: never do it. Explore all your options. Personally, I would never touch it again. With the stress it involves, and the harassment that I received and continue to receive, it isn't worth it. ■

THE WAY FORWARD

After the comment period ends, the CFPB will embark on the task of writing final rules intended to end the abusive practices of payday-style lenders. The bureau's initial proposal is based on the simple and common-sense idea of verifying a borrower's ability to repay before a loan can be issued. But the proposed rule, which would allow many loans to be made without such an advance determination, will have to be signicantly improved for it to achieve that goal.

Important lessons can be learned from a long record of past regulatory efforts, largely at the state level. A number of states have sought to regulate around the edges of the problem by, for example, limiting "rollovers" or creating mandatory "off ramps" for borrowers who remain in debt beyond a certain length of time. Lenders have come up with a variety of techniques for getting around such measures.

Other states have made the mistake of adopting rules that apply only to lenders who take out a particular kind of business license. Ohio, for example, adopted a 28 percent interest rate cap for consumer lenders,[12] only to see many of them re-register as mortgage lenders, allowing them to continue making short-term loans at annual interest rates of nearly 600 percent.[13]

The best results have come in the 14 states and the District of Columbia with annual interest rate caps – typically set at 36 percent – that apply to all loans. People in these "payday-free" states have reaped a host of positive benefits.[14]

The CFPB does not have the statutory authority to impose a nationwide limit on interest rates. Nevertheless, the bureau has the power to significantly reform the industry, and to promote affordable, non-predatory lending. To do so, it will need to improve on its proposal in the following ways:

Close the loophole allowing six loans per year at 300 percent interest: By allowing lenders to provide six high-interest payday loans per year, those who already cannot afford to make ends meet will continue to be caught in a debt trap. These high-interest loans only set up borrowers to fail.

Strengthen protections on flipping both long-term and short-term loans: Payday lenders have migrated to longer-term loans precisely because they want to continue to reap the rewards of high-interest loans that can be continuously flipped through refinancing and additional loans. When loans must be refinanced repeatedly and cannot be paid down at a reasonable rate, they are not structured for success.

Strengthen how lenders document basic living expenses and require the use of objective measures for determining if a borrower can afford the loan: The CFPB's proposal states that loans should be affordable, leaving the borrower enough to afford basic living expenses.

Clear and specific guidance and objective measurements not created by the lenders are paramount. Without them, decisions on what constitutes basic living expenses and an ability to pay are vulnerable to manipulation by lenders who have direct access to borrowers' bank accounts or are holding title to a borrower's car.

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11 While Georgia enacted strong protections against short-term payday balloon payment loans, the industry has gotten around them by o ering longer-term payday installment loans. These loans carry all the destructive hallmarks of more traditional short-term loans including triple digit interest rates, coercive repayment mechanisms, and repeated refinances that result in the debt trap.

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Finally, thanks to the storytellers in this storybook for speaking up and giving voice to the millions of people across the country who have been stuck in the predatory payday and title loan trap.

ABOUT THE AUTHOR

Allyson Fredericksen is the Deputy Director of Research at People's Action Institute. Allyson has produced state and national reports on living wage standards, student debt, Medicaid expansion, women's access to healthcare, and the criminalization of debt. Her research has been featured in local and national media outlets including the New Yorker, Bloomberg BNA, the Huffington Post, Forbes, Seattle Times, Puget Sound Business Journal, and more. Allyson holds an M.A. in Policy Studies from the University of Washington with a focus on racial justice and the safety net.

CAUGHT IN A DEBT TRAP

STORIES OF PAYDAY AND CAR TITLE LOAN BORROWERS

PEOPLE'S ACTION INSTITUTE

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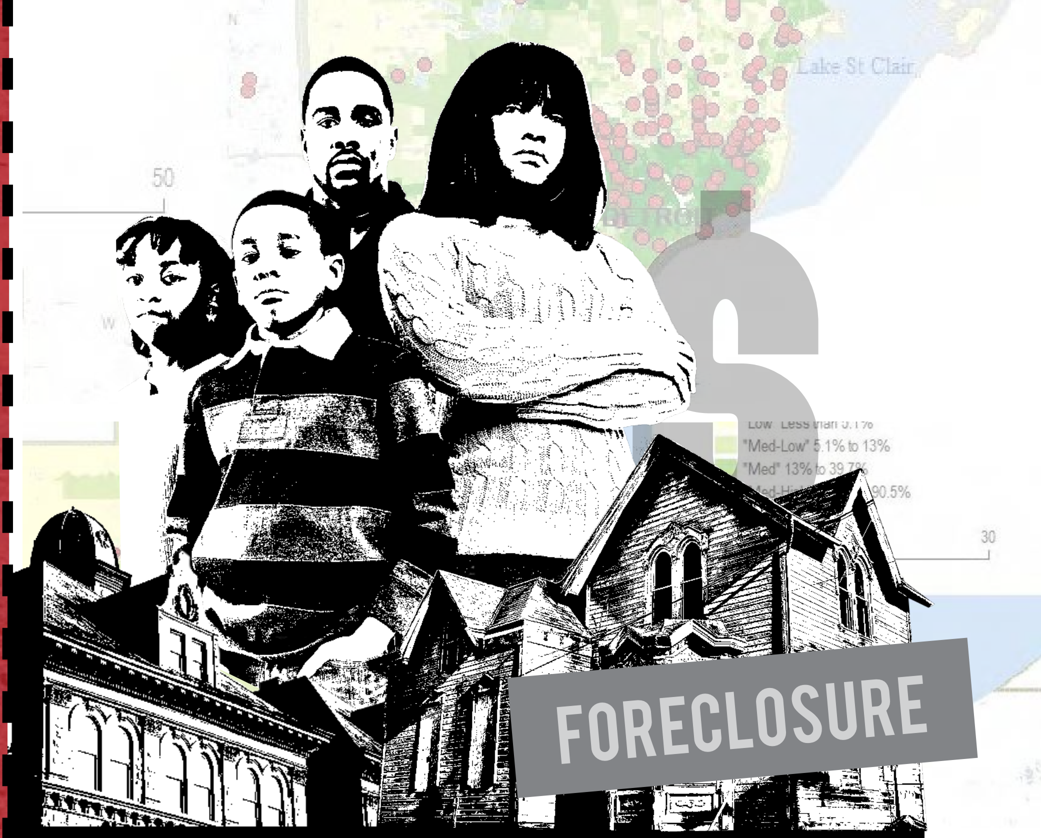
Appendix II
Credit Segregation: Concentrations of Predatory Lenders in Communities of Color



CREDIT SEGREGATION:

Concentrations of predatory lenders in communities of color

Table of Contents

- *Report Summary* — *Page 3*
- *Main Findings* — *Page 4*
- *Report Methodology* — *Page 5*
- *Analysis : Home Refinance Lending* — *Page 8*
- *Analysis: Payday Lending in the Midwest* — *Page 12*
- *Conclusions and Policy Recommendations* — *Page 15*

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NATIONAL PEOPLE'S ACTION

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Report Summary

Three years into the massive financial crisis, the economic fallout has clearly not impacted all areas of the nation equally. As this report documents, sharp racial divides exist in terms of the prevalence of mainstream, wealth-building credit and the availability of high-priced, subprime loan products such as "payday" loans. This report examines the recent availability of consumer credit in African-American and Latino communities in five major Midwestern metropolitan areas: Chicago, IL, Detroit, MI, Kansas City, MO-KS, Peoria, IL, and St. Louis MO-IL. This report focuses on two consumer loan products at the opposite ends of the credit spectrum: home mortgage refinance loans and cash advance or payday loans. Together the disparate availability of these products paints a disturbing picture of consumer credit conditions in the areas where most African-Americans and Latinos live during this third year of financial crisis.

This report reveals that during the apparent depth of the financial crisis in 2009, many homeowners in predominately white neighborhoods showed a recovered ability to access real estate-secured bank credit. Communities of color meanwhile have suffered the greatest financial damage in the aftermath of the mortgage crisis and, as this report details, experienced greatest declines in access to mainstream credit. The mortgage banking industry sold costly home debt in record volumes prior to the mortgage market collapse in 2007 which now leaves many black and Latino homeowners unable to access affordable credit to refinance and better manage their debt levels.

Moreover this analysis shows that in African-American and Latino neighborhoods a particularly prevalent form of credit is not from the mainstream banking sector but rather from under-regulated payday lenders which advance paycheck income at triple digit interest rates. The wealth-stripping payday lending industry operates in the highest concentrations among communities of color -a discouraging sign for future prospects of wealth creation for the working poor and fixed-income residents among these communities. This report also shows a simple but meaningful fact: there is virtually no neighborhood with a large African-American or Latino population in the study area that displays stable levels of prime credit for homeowners and very few neighborhoods that do not have a proliferation of high-priced payday lenders.

Finally, this report points out that the dynamic that exists in minority communities of few quality credit products and a prevalence of predatory credit products is due in large part to the business practice of the nation's four very largest banks. Since the onset of the financial crisis, the leaders of the banking industry have in effect pulled back from lending in areas with major black and Latino populations. Having made record profits both before and after the mortgage market collapse, the major banks have done little to service the needs of the average black or Latino homeowner. On the other end of the consumer loan spectrum, the big banks do not offer affordable small dollar loan products.[1] Instead the banks have chosen to discretely fund payday loan companies who do service communities of color, albeit in the form of 400% APR cash advance loans.

1. Wells Fargo does offer a in-house payday lending products to their retail customers charging interest rates up to 300%.

Main Research Findings

1) Bank lending to refinance homeowner mortgage debt occurred unevenly during the Great Recession with black and Latino homeowners falling far behind other racial groups. Between 2006 and 2009, white homeowners in the Chicago, St. Louis, Kansas City, Peoria, IL, and Detroit metro areas experienced a 8% *increase* in overall refinance loans. However, **African-American homeowners suffered an 86% *decrease* in overall home refinance loans in this time period**. Similarly, **Latino homeowners have witnessed a 76% overall *decline* in home loans to refinance mortgage** debt since 2006.

1-A) The country's megabanks, Bank of America, Wells Fargo, Citibank and JPMorgan Chase contributed significantly to the trend of declining mainstream credit issued to black and Latino homeowners during the crisis. Compared to 2006 levels, the major four banks issued 38% more prime-rate refinance loans to white homeowners while they extended **63% fewer prime-rate refinance mortgages to African-American homeowners and 59% fewer to Latino homeowners.**

2) On the community level, we also find sharp differences in the refinance loan volume based on the study area's racial demographics. White areas with the smallest concentration of blacks and Latinos saw the greatest volumes of prime-rate refinance loans. In predominately white areas, refinance loan volume in 2009 was up to **12% of total homeowners while in the areas with the highest concentration of black and Latinos, only an estimated 1.6% of the area's homeowners** received a refinance loan.

2-A) The nation's leading banks exemplified the above trend of racial disparities in prime-rate home credit, **refinancing homeowners in predominately white areas at 6.5 times the rate as they did for homeowners in communities of color**.

3) In examining the prevalence of payday lending in the Midwest the report finds that black and Latino neighborhoods also have the highest concentration of payday lenders. In these communities of color payday lenders are three times as concentrated as compared to other neighborhoods. **Neighborhoods with a high population of African-Americans or Latinos have on average two payday lending locations within one mile, six payday lenders within two miles, and 12 payday lenders within 3 miles**. Predominately white areas, in comparison, had an average of two payday lenders within two miles, and about four payday lenders within three miles.

4) The nation's major banks, including Wells Fargo, Bank of America, and US Bank fund approximately 38% of the payday lending operations in the Midwest study area. Overall, the payday lending industry in the Midwest is led by the major corporate payday lending companies which are financed by the many of nation's largest banks.

5) Advance America, the leader of the payday industry, operates over 350 stores or 13.5% of all payday lending operations in fours states covered in this study. Advance America, whose high-cost lending is funded by Bank of America and Wells Fargo, operates one out of every eight payday shops in the Chicago, St. Louis, Kansas City, Detroit, and Peoria, IL metropolitan areas. Advance America is also geographically concentrated nearby black and Latino neighborhoods at a density double that of predominately white areas.

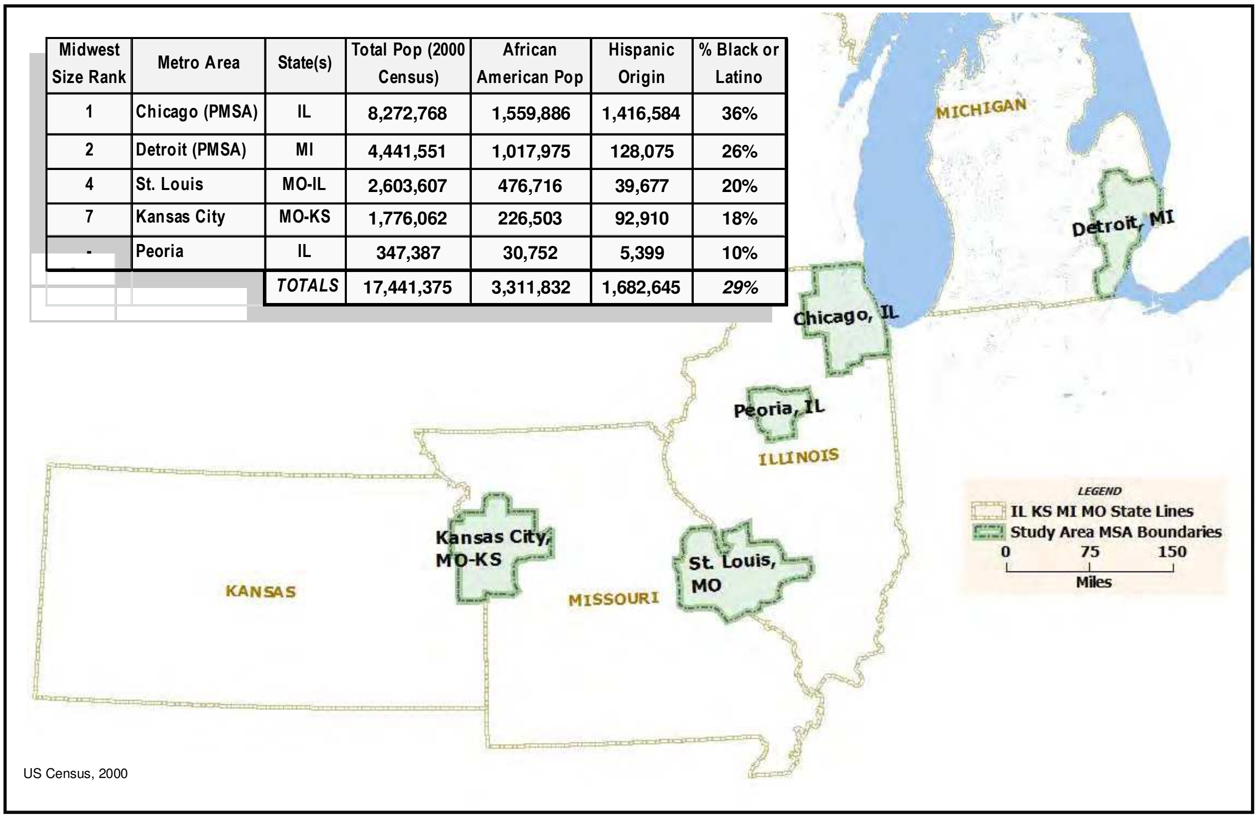
Report Methodology:

Study Area

This report examines five Metropolitan Statistical Areas (MSAs) in the Midwest: Chicago, IL, Detroit, MI, Kansas City, MO-KS, Peoria, IL, and St. Louis MO-IL. Together, these cities represent a population of 17.4 million[2] and comprise close to 5% (4.98%) of the nation's total mortgage lending market and an estimated 11% of the entire US payday lending industry. Approximately one out of every twenty new mortgage loans in the country and one of out of every nine payday lending stores are located within the five city geography covered in this analysis. The nearly 5 million African-American and Latinos covered in the study area constitute approximately 29% of the study area's total population. This report focuses on four major Midwestern cities along with the inclusion of Peoria-Pekin, IL MSA as a sample of trends in a medium-sized (under 500,000 population) metropolitan area.

Five MSA of Study Area

Midwest Size Rank	Metro Area	State(s)	Total Pop (2000 Census)	African American Pop	Hispanic Origin	% Black or Latino
1	Chicago (PMSA)	IL	8,272,768	1,559,886	1,416,584	36%
2	Detroit (PMSA)	MI	4,441,551	1,017,975	128,075	26%
4	St. Louis	MO-IL	2,603,607	476,716	39,677	20%
7	Kansas City	MO-KS	1,776,062	226,503	92,910	18%
-	Peoria	IL	347,387	30,752	5,399	10%
		TOTALS	17,441,375	3,311,832	1,682,645	*29%*



US Census, 2000

2. US Census, 2000

Defining Communities of Color

To examine the availability of consumer credit products in the African-American and Latino communities, this analysis classifies the study area according to its racial composition. In this analysis we employ the use of population quintiles –five groups each with an equal number of census tracts or census block groups according the relative percentage of the population that identifies as African-American or of Hispanic origin in each of the five MSAs that comprise the study area. We order the quintile groups "low", "medium low", "medium", "medium-high", and "high" according to each MSA's relative percentage of Black and Latino population. This approach accounts for varying demographic conditions among metro areas in the study area. For example, in the Peoria, IL MSA, which has a total African-American and Latino population of only about 10%, census block groups with an African-American and Latinos population of 16 percent fall in the top quintile of all Peoria, IL MSA census block groups and therefore are classified as a "high" concentration of Black and Latino population. In Chicago, which has a considerably higher minority population, a census block group with a Black or Latino population of 90.5 percent or more is classified as having a "high" concentration of Black and Latino population. In this report, we refer to quintiles with "high" Black or Latino concentration interchangeably with the term "communities of color". See Appendix I for a complete breakdown of MSA population quintiles by population race.

This report, in analyzing of the availability of two credit products, home refinance mortgage loans and payday loans, recognizes that the loan products in large part serve two different customer bases. A lack in home mortgage refinance credit for a given customer *does not* necessarily imply the customer will have an increased demand for or use of a payday loan product. Rather, the two credit products are analyzed in this report to compare and contrast the availability of prime and high-cost, non-prime credit in communities of color. Also, this analysis of different credit products illustrates how the major bank holding companies, directly or indirectly, determine and influence the availability of mainstream, wealth-building credit sources along with high-cost, and frequently "predatory" credit sources.

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Home Mortgage Refinance Lending

This report examines home mortgage refinance loans as an indicator of the financial health of homeowners and communities of homeowners in various urban areas and neighborhoods. Following the approach of previous studies on consumer financial issues and race,[3] this research is based on the premise that for most homeowners, the ability to refinance mortgage debt at historically low interest rates since 2009 represents a positive financial action that likely reduces debt payments and provides a modest wealth-building opportunity.[4] However since the onset of the crisis in order to qualify for a prime mortgage the average homeowner would need to have a relatively strong financial status and credit history. With bank underwriting standards tightened considerably since the onset of the crisis, a successful borrower of a conventional (non-FHA) loan would likely need a prime credit score (FICO above 720), a favorable borrower debt-to-income ratio, and a home loan-to-value ratio below 80%,[5] –all the more difficult during a tumultuous economic time. We estimate racial groups' and geographic community's relative financial health by the volume of owner-occupied, conventional (Non-FHA) loans, refinance loans on residential properties four units or less as reported in the Home Mortgage Disclosure Act (HMDA) during the years 2006 and 2009. This analysis is performed on the census tract level following the availability of national mortgage data in HMDA.

Payday Lending

This report also examines the geographic location of registered payday lending stores. Payday lenders issue loans, typically up to $500 for two week or one month terms, at rates over twenty times that of credit cards to borrowers with a documented income or government social security/disability check. The report follows the research approach of previous studies examining the geographic concentration of payday lending together with the racial demographics of nearby urban areas.[6] This analysis assumes that the retail location of the payday lending industry in urban areas corresponds in general to a geographically close customer base and payday loan distribution. This approach is supported by the fact that the major multi-store payday loan companies do consider the surrounding area's demographics when choosing a store location and compete to offer the "convenience of high-density store locations" throughout the geographic area.[7] Payday stores are both dispersed throughout the metropolitan area but also tend to concentrate in clusters in densely populated or high traffic areas. Payday loan underwriting does not typically require a credit check or a minimum FICO credit score. Therefore, due to the retail nature of the payday loan business and its lack of strict underwriting standards, we feel the use of payday loan store locations is a reasonable and the best-available estimate of loan availability and distribution on an urban level.

3. "Paying More for the American Dream IV: The decline in Prime Mortgage Lending in Communities of Color", The Woodstock Institute, 2010
4. We estimate a typical homeowner with a $175,000 mortgage debt could save approximately $2,000 in interest payments annually in refinancing a 2006 prime mortgage averaging 6.52% with a prime refinance mortgage averaging 5.05% in 2009, or $59,000 over the full 30 year mortgage term. See: http://www.mortgagecalculator.org/
5. www.bankrate.com. See "Four Steps to Refinance your mortgage". May 2009. http://www.bankrate.com/finance/mortgages/4-steps-to-refinance-your-mortgage.aspx
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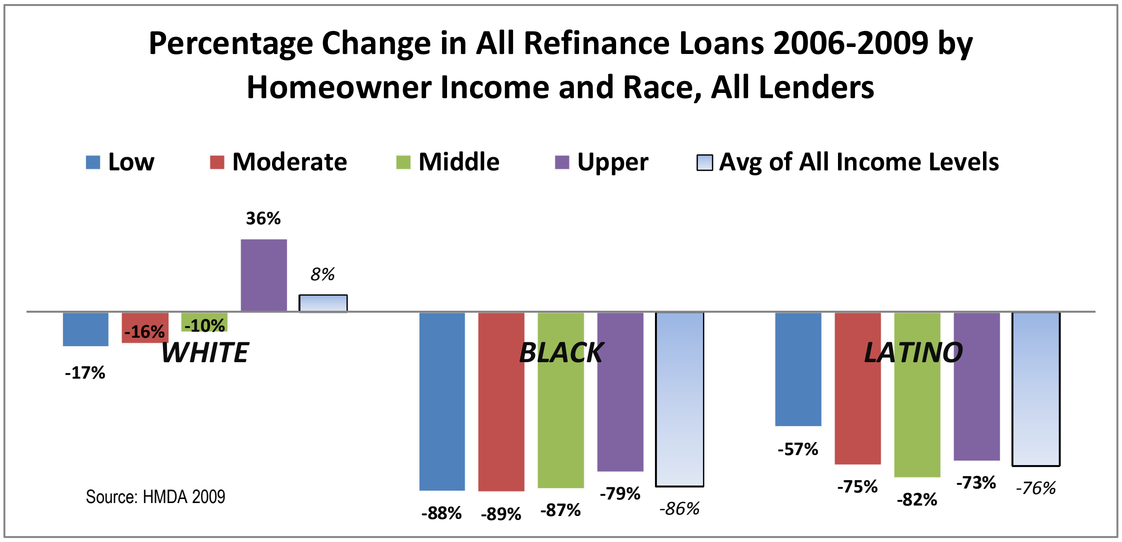
Research Results: Home Refinance Lending

HMDA data shows that bank lending to refinance homeowner's mortgage debt occurred unevenly during the Great Recession with black and Latino homeowners falling far behind. Between 2006 and 2009, white homeowners in the five city study area experienced an 8% overall *increase* in the number of refinance loans.[8] On the other end of the spectrum, African-American homeowners suffered on average an 86% *decrease* in home refinance loans in this time period. Similarly, Latino homeowners on average witnessed a 76% overall *decline* in home loans to refinance mortgage debt compared with 2006 levels.

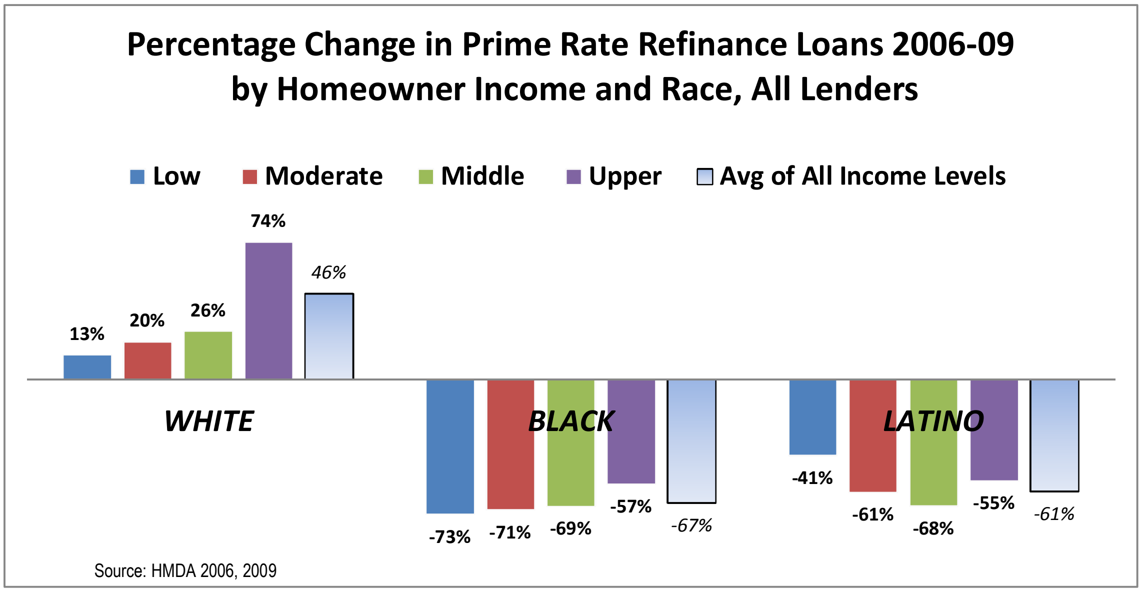


Considering the borrower's income along with race and Hispanic origin, the data shows that low and moderate income white homeowners in the study area did experience an average decrease in total refinance mortgage lending between 2006 and 2009, although the decline was much less than that of Black and Latino homeowners of similar income levels. Low and moderate income Blacks and Latinos homeowners saw relative declines in all refinance mortgage lending between 3.5 to 5.5 times the rate of white borrowers of the same income level.[9]

Prime-Rate Refinance Lending

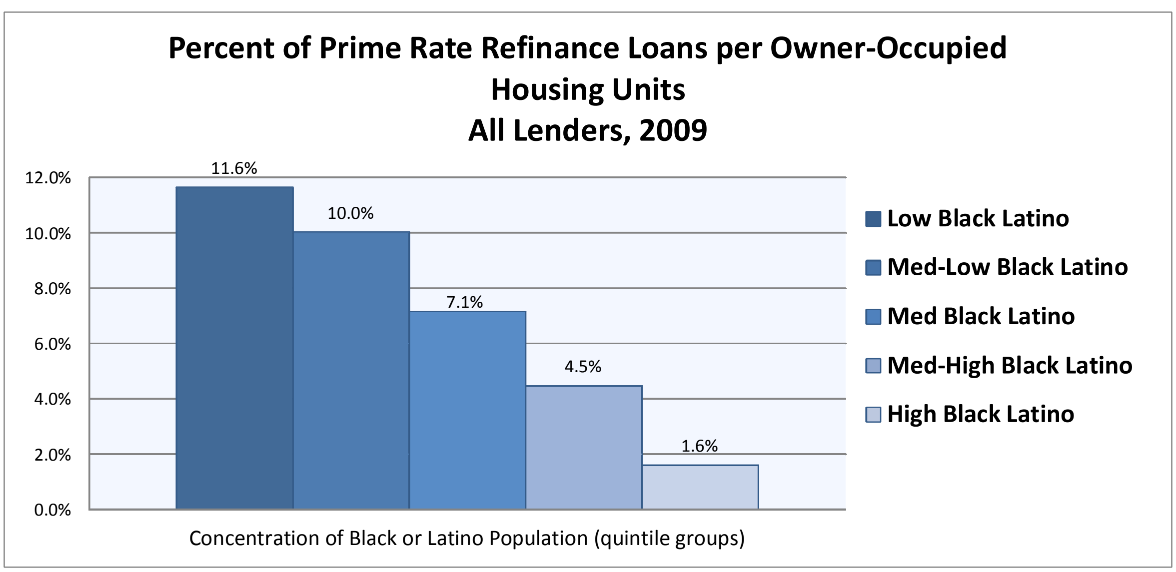
Focusing the analysis on only prime-rate refinance loans,[8] we find similarly pronounced differences in refinance volumes between homeowners of different race and ethnicity. Excluding the volume of reported high-interest rate refinance loans issued[10] we find that number of prime-rate refinance loans to Black and Latino homeowners decreased by 67% and 61%, respectively. Meanwhile white homeowners at all income levels saw an overall increase in prime-rate refinance loans in 2009.

8. Includes all conventional Refinance and Home Improvement for owner-occupied 1-4 unit buildings.
9. Refinance loans to low income Latinos declined at 3.4 times the rate of low income whites, whereas for moderate income African-American homeowners the decline in refinance loans declined by 5.5 times the rate of decline for White homeowners of the same *income level.*
10. High-interest rate refinance loans accounted for 33.5% all refinance originations in 2006 and 3.9% in 2009. HMDA



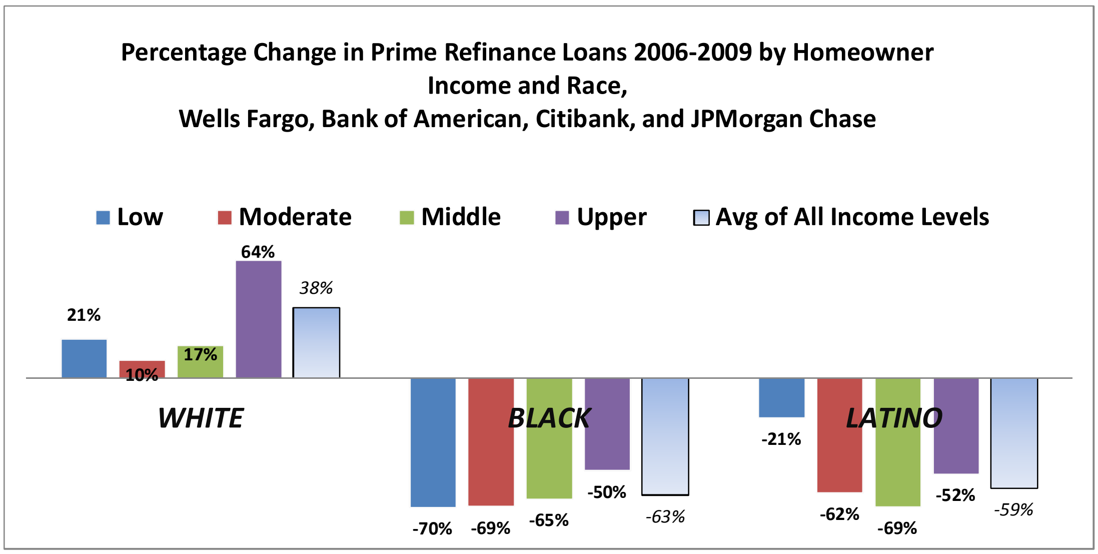
Prime-rate Refinance Lending in Communities of Color

A scarcity of prime-rate refinance home lending does not only impact individual homeowners. Black and Latino homeowners are *not* randomly dispersed throughout a metropolitan area, but rather they tend to be concentrated in certain geographic areas and neighborhoods. These communities with the highest relative concentrations of African-American and Latino residents showed the least access to prime credit channels during the recession. In communities with the highest Black and Latino populations, a prime rate refinance loan was issued for only 1.6% of all owner-occupied housing units in these geographies. In other words less than one out of fifty homeowners in communities of color were able to benefit from the historically low borrowing rates during the financial crisis. In contrast, areas with the smallest percentage of Black and Latino population received on average a prime-rate refinance loan on 11.6% of owner-occupied housing units, or roughly one prime refinance loan for every nine homeowners in these majority White areas.

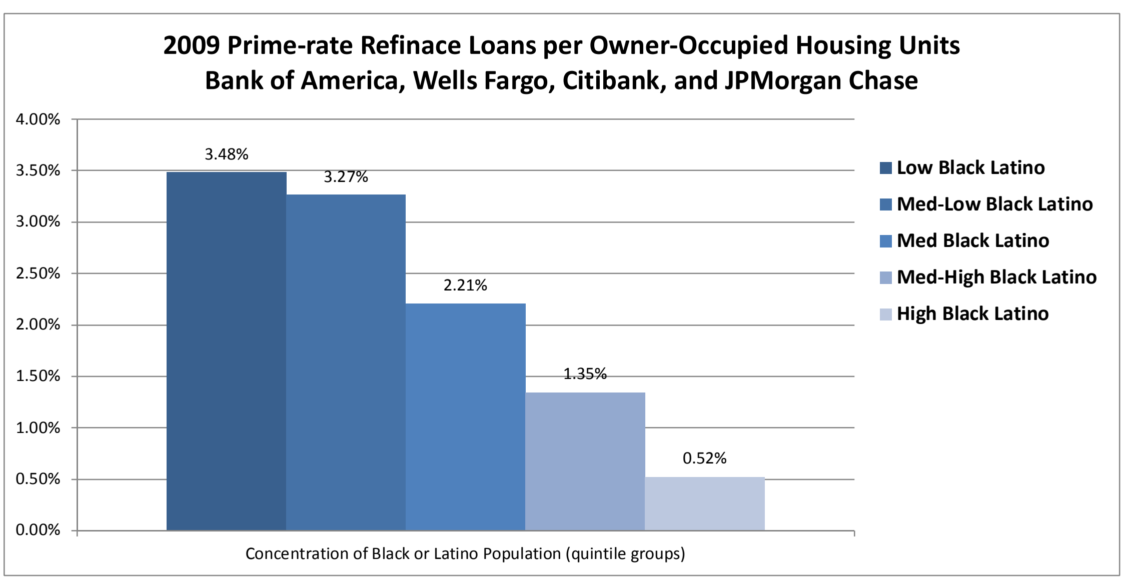


Refinance Lending and the Major National Banks

With 31% of the study areas total refinance loan volume in 2009, the nation's four largest banks: Bank of America, Wells Fargo, Citibank, and JPMorgan Chase, played a significant role in setting credit standards and availability for the entire industry. However, this analysis shows that the big banks exhibited similar lending patterns with respect to communities of color as the mortgage banking industry as a whole. Since the financial crisis, the nation's leading banks (including affiliates and subsidiaries) have significantly and disproportionately reduced prime refinance credit to Black and Latino homeowners. The big four banks cut prime-rate refinance loan volumes by 63% and 59% to African-American and Latino homeowners respectively, while increasing overall refinance originations to White homeowners of all income levels in the study area by 38%.



In communities of color during 2009 the nation's big four banks issued prime refinance mortgages to approximately 0.5% of the area's total homeowners. These same banks extended prime-rate refinance mortgages to approximately 3.5% of homeowners in predominately White areas, a rate six and half times greater than the rate of refinance lending in communities of color in the study area.



The sharp drop in available refinance credit for some homeowners and communities represents another dimension of the on-going financial crisis. For African-American and Latino households the inability to access prime credit is not just a result of long standing historical conditions, such as lower levels of inherited wealth. The decline in prime credit also results from the recent practices of our nation's financial sector. African-American and Latino borrowers received the highest levels of high-cost mortgage debt of any borrower group during the subprime mortgage boom years.[11] When the mortgage bubble burst, not surprisingly, communities of color by and large suffered the highest rates of foreclosure. As foreclosure rates soar, homeowner equity and property values have declined in most areas of the country, however, communities of color have experienced the greatest relative financial losses.[12]

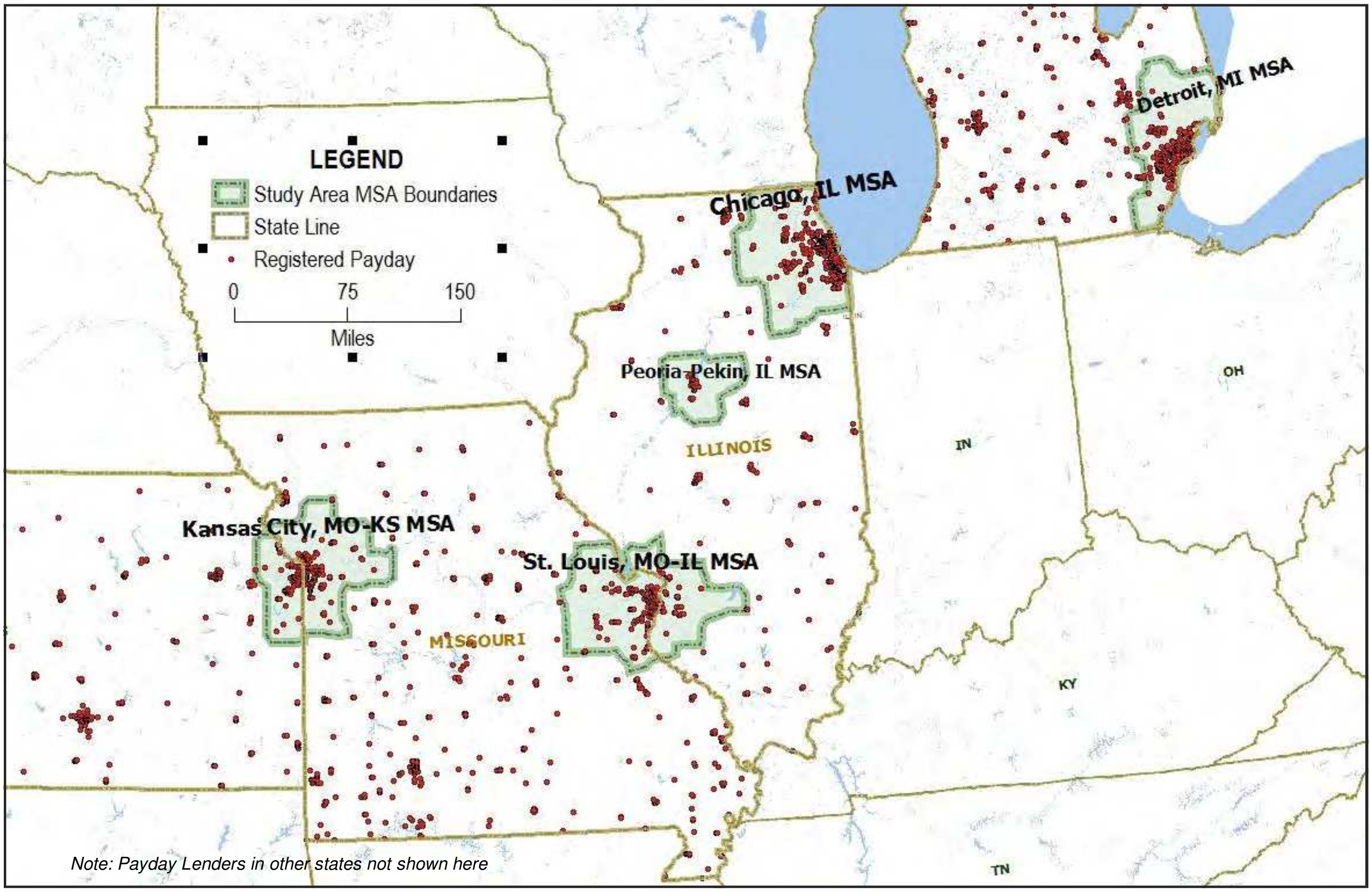
With high-densities of foreclosures in the neighborhood and a greater likelihood to have high debt burdens on existing mortgages, it may not be surprising that many African-American and Latino borrowers find it difficult to access prime credit sources. However, this finding is nevertheless important and deserves serious attention. The failure to secure affordable credit to reduce debt levels issued in the last decade puts even more homeowners at risk of default, foreclosure, and an even more widespread loss of homeowner equity. Secondly, the inability to access mainstream credit sources will turn many borrowers to other non-prime sources of consumer credit which typically have little o no consumer protections, much higher costs, and provide little to no opportunity to build wealth. The implications of this research is that a large number of African-American and Latino borrowers, having been briefly embraced by the mainstream banking industry as part of their massive originate-to-sell business plan, may now be relegated to second-class and substandard credit options for decades to come.

11. HMDA data shows that between 2004 and 2007 over 50% of all African-American and over 40% of Latino mortgage borrowers in Midwestern urban markets received high cost home loans, more that twice the rate of White borrowers of a similar income level.
12. In Chicago, the number of foreclosure filings and completed foreclosures during 2009 in minority census tracts (>80% non-white population) were three times as frequent as in majority white tracts. Similarly, home price declines from 2004-2009 were greatest in communities of color. See the "The Home Foreclosure Crisis in Chicago", National People's Action, 2010 http://showdowninamerica.org/files/images/NPA_2009_Chicago_Foreclosure_Report_0.pdf

Payday Lending in the Midwest:

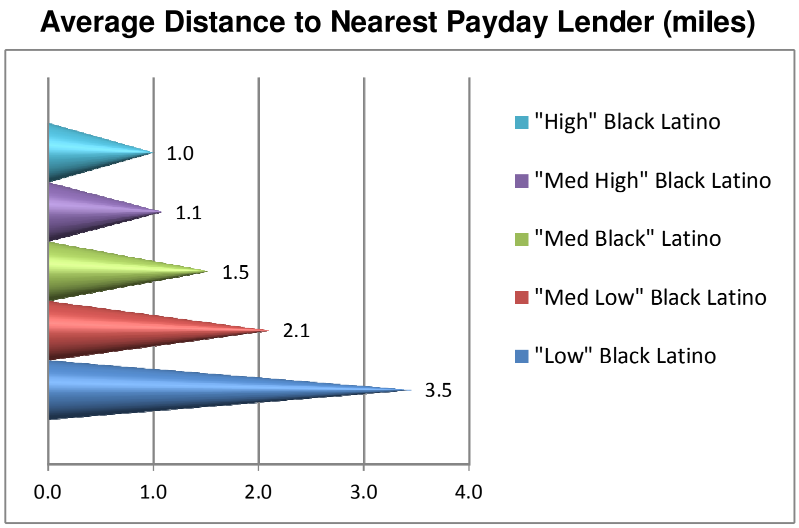
Payday loans are a widely-available subprime source of small dollar consumer credit issued by non-bank lenders. The central United States is a major market for payday lending with 25% of all payday loan stores nationwide located in the 11 Midwestern states. The four states examined in this report: IL, KS , MI, and MO, together have an estimated 2,600 registered payday lending stores which represent about 11% of all payday loan store locations nationwide. The majority of payday lenders in these four states are located with the five MSA study area that is the focus of this report.

Payday Lenders in Illinois, Kansas, Michigan, and Missouri



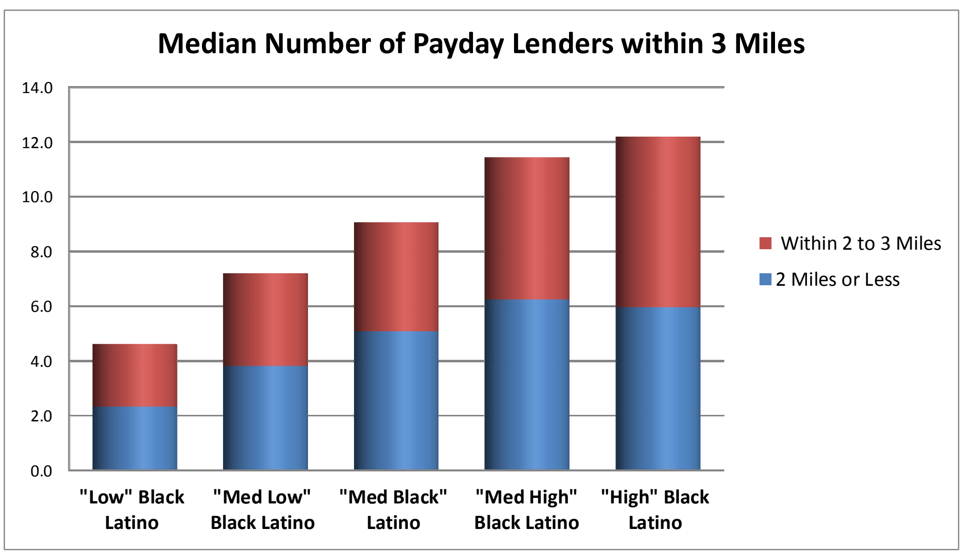
Geographic Analysis of Payday Store Locations

This analysis examines the location of payday loan stores by the racial make-up of the surrounding areas. Dividing each of the five MSAs in the study area into five equal groups (quintiles) according to relative size of the Black or Latino population, we then calculate distances to the nearest payday lender and the number of payday lenders within a one-mile, two-mile, and three mile radii. Our analysis finds that the location of payday lenders in the study areas is on average both nearest to high African-American and Latino populations, and the payday stores are most densely concentrated nearby these communities of color.



Areas with the highest African-American and Latino populations had on average a payday lender within one mile. In contrast, the nearest payday lender to areas with the lowest Black and Latino population were on average three and half miles from these communities. Thus, payday lenders on average are located closest to communities of color in the study area.

Payday lenders are known to cluster stores around desirable, high-traffic locations.[13] However, this geographic clustering of payday loan stores appears to also be greatest nearby communities of color.



Neighborhoods with high African-American and Latino concentration have on average over 12 payday lenders within a three mile radius of the community. As the Black or Latino population decreases in a community, so does the average density of nearby payday lenders. Areas with a "Low" Black Latino population averaged 4.6 stores within three miles of the census block group. Compared to the "Low" and "High" Black and Latino areas we find that payday lenders are about 2.6 times as concentrated nearby Black and Latino neighborhoods.[14]

13. Critics of the payday industry point out this encourages borrowers to conveniently and repeatedly extend debt at high costs which is a major source of income for payday lenders.
14. This analysis also reveals that the Kansas, MO-KS MSA had the highest concentration of payday lenders of any MSA in the study group. See Appendix section I. for Metro Area payday store data.

The payday lending industry, with its flashing neon lights enticing borrowers to sign away there next paycheck, can seem to be far removed from the country's established retail banking sector. However, there are financial ties between the two industries.[14] Our analysis shows that the nation's major banks, including Wells Fargo, Bank of America, and US Bank fund approximately 38% of the payday lending operations in the Midwest study area. Overall, the payday lending industry in the Midwest is dominated by the major corporate payday lending companies, which are financed by many of the nation's largest banks. Major banks provide credit to the top four payday lenders and no fewer than six of the top ten payday lenders in the study area.

Top 10 Payday Lending Companies in IL, KS, MO, MI by Number of Store Locations

Rank	Payday Loan Company	Number of Stores in Study Area	Percent of Study Area total Stores	Major Bank Creditor?
1	Advance America	356	13.4%	Bank of America , Wells Fargo
2	Great Plains Specialty Finance Inc d/b/a Check n Go	234	8.8%	PNC
3	QC Financial Services Inc d/b/a Quik Cash	151	5.7%	US Bank
4	Check Into Cash	140	5.3%	Wells Fargo
5	BnT Loan LLC	116	4.4%	
6	Americash Loans LLC	79	3.0%	US Bank
7	Cottonwood Financial d/b/a The Cash Store	78	2.9%	
8	Instant Cash Advance Corp	51	1.9%	
9	The Payday Loan Store of Illiniois Inc	46	1.7%	Banco Popular
10	Cash for Checks LLC	44	1.7%	

The largest payday lender in the study area as well as the nation is Advance America. Notably, Advance America operates over 13% off all registered payday stores, or approximately one out of seven stores in the five metropolitan area study sample. Examining the industry leader Advance America, we also find that this large corporate payday lender is also closest to and most densely concentrated near communities of color.

Advance American Store Locations by African-American and Latino Population

Area Concentration of African-American and Latinos	Number of Block Groups in Study Area	Median Distance to nearest Advance America store (Miles)	Median Advance America Stores within 2 Miles
Low	2684	5.51	0.34
Med Low	2678	3.90	0.48
Med	2686	3.57	0.51
Med High	2680	3.23	0.67
High	2684	3.57	0.65

The nearest Advance America store lies within three and a half miles (3.23-3.57) for areas with a "medium" or "high" concentration of African-Americans and Latinos, compared to 5.5 miles for predominately White areas. Similarly, Advance America stores are on average twice as concentrated within two miles of communities of color as they are to predominately White communities (a median of 0.65 stores compared with 0.34 stores within two miles).

14. Connor and Skomarovsky, "Predator's Creditors: How the Biggest Banks Bankroll the Payday Loan Industry", National People's Action

Report Conclusions

This report is a stark reminder of the very real differences in financial stability that exist between racial groups in the country. The analysis finds that at both ends of the spectrum of consumer credit in the Midwest, financial conditions are the most troubling in communities of color. The areas where the vast majority of the Midwest's African-American and Latino population resides show severe declines in mainstream credit -as evidenced by a sharp decline in refinance mortgage lending- and an abundance of high-priced, small dollar lending, documented by the geographic concentration of payday lending stores in communities of color. This analysis shows that many Black and Latino homeowners, having been recently burdened with the highest concentrations of costly debt during the mortgage bubble, are now being abandoned by mainstream credit markets. Furthermore the working poor and fixed-income residents in communities of color are at continued risk of predatory, wealth-stripping credit through under-regulated small dollar loan products .

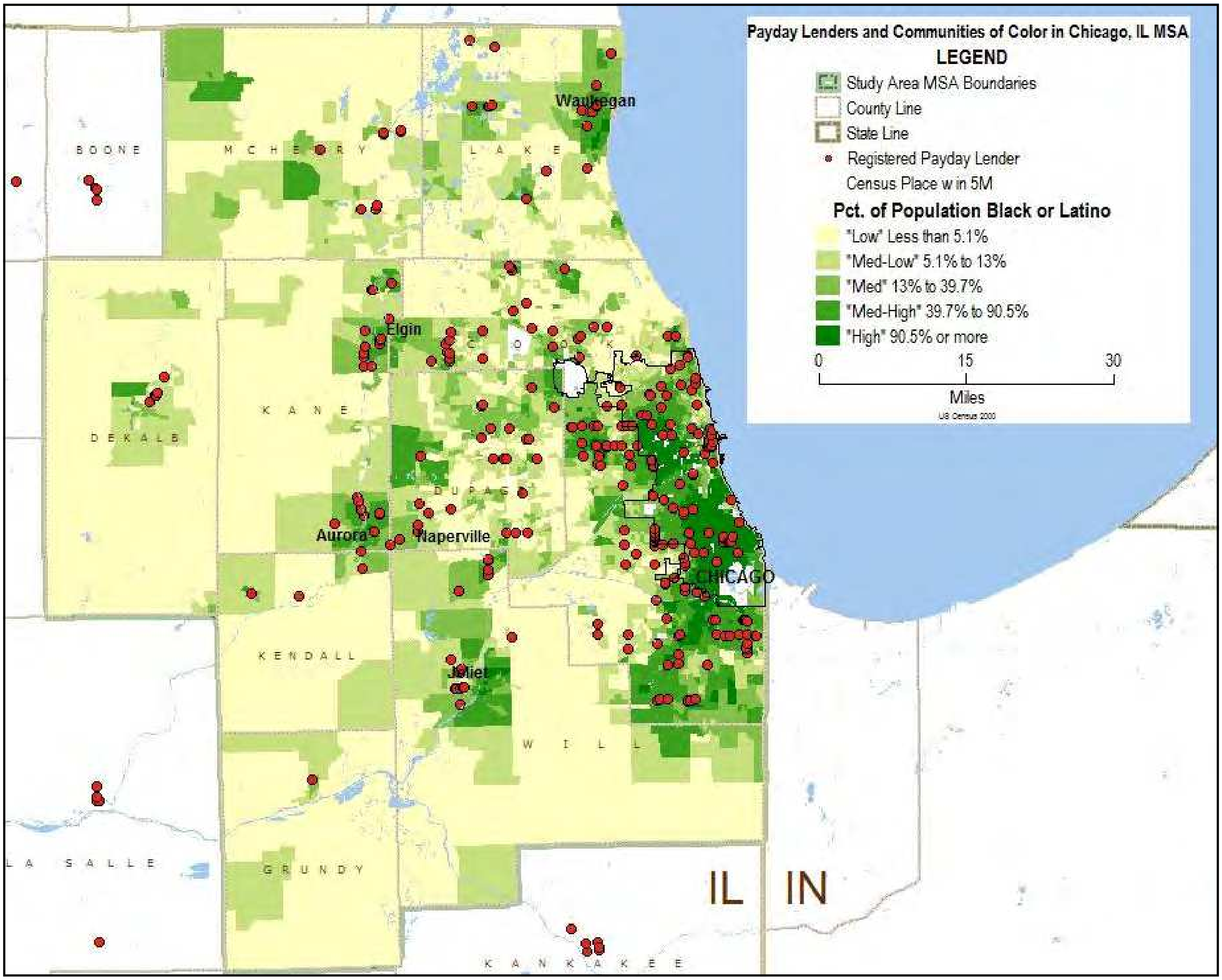
Policy Recommendations

In response to this report and conclusions, National People's Action calls on:

- Congress to institute a nationwide cap on small dollar loan interest rates,
- State governments to effectively regulate the payday lending industry,
- The comprehensive regulation the payday lending industry through the Consumer Financial Protection Bureau,
- The major national banks to stop financing of payday lending,
- The major national banks to get out of direct high-cost payday lending, and
- The nation's banking industry to implement alternative loan products that responsibly and affordably serve the real need for short-term smaller loans in communities across the country.

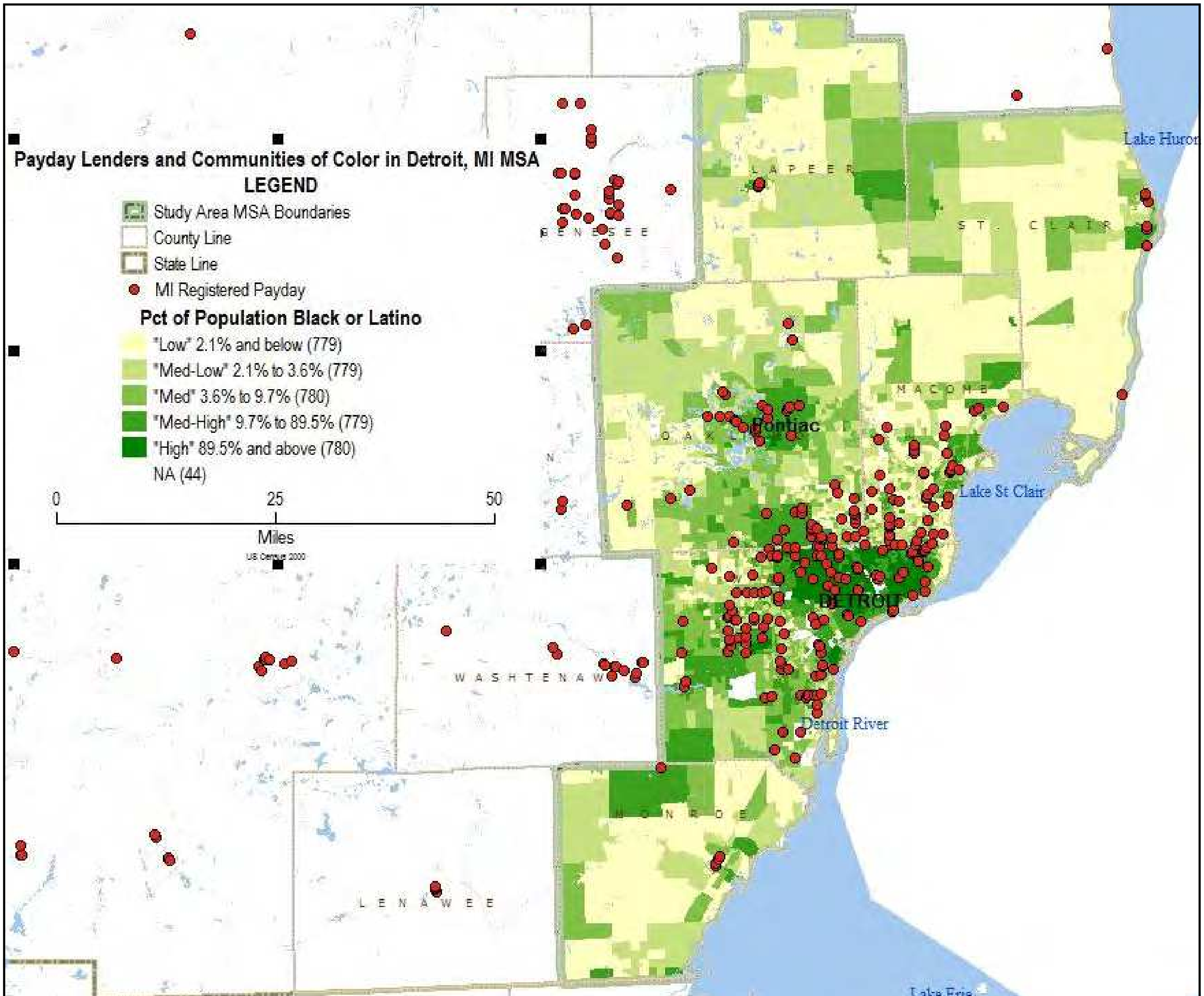
APPENDIX I: Metro Area Payday Lender Maps and Data

I-A. Chicago, IL PMSA



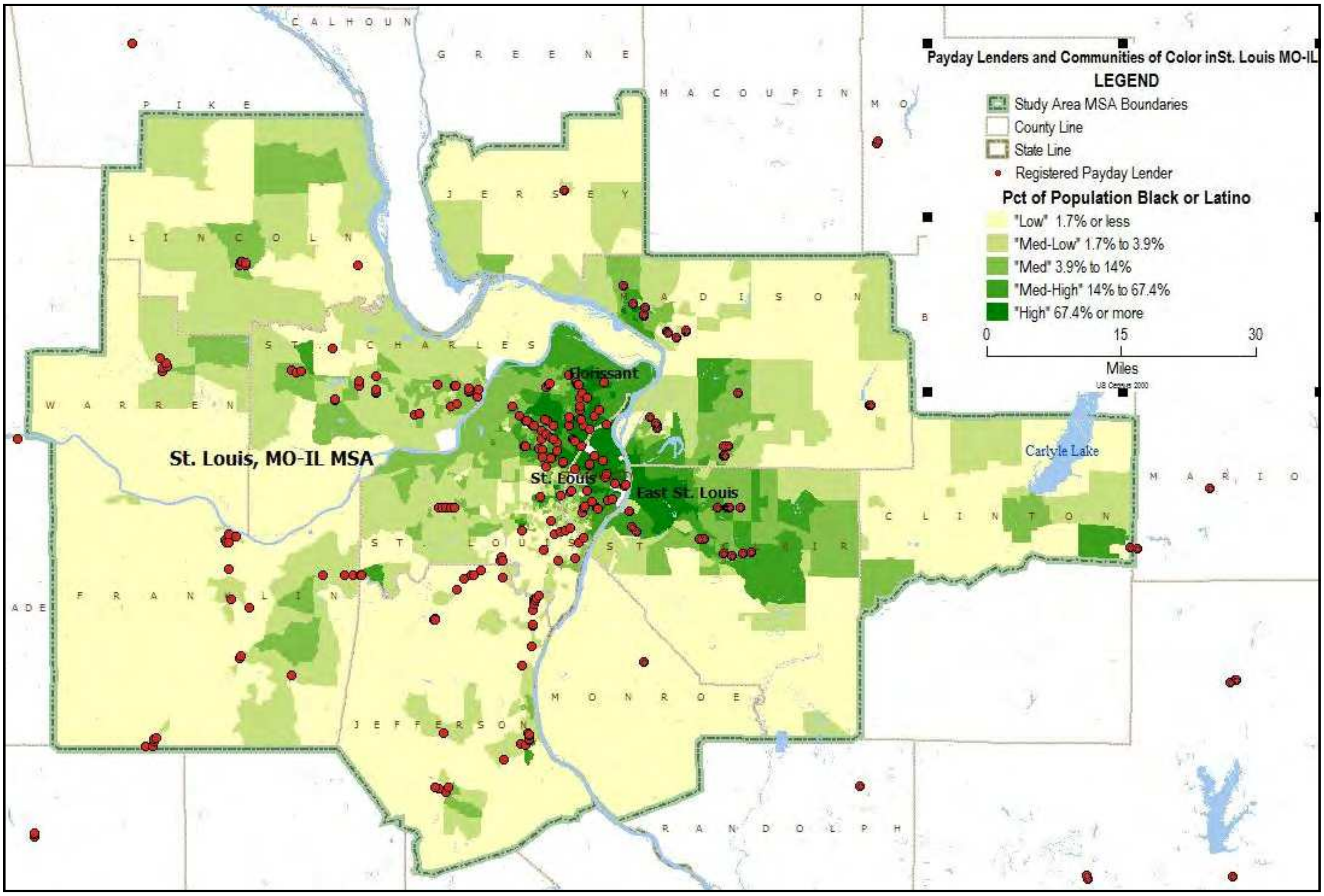
Chicago, IL PMSA Quintiles by % of Census Block Group Population African-American or Latino	Number of Census Block Groups	Total Population (2000)	Pct of Total Population	Avg Distance to Nearest Payday Lender (Mi)	Avg Num of Payday Lenders in Block Group or within 0.5 miles	Avg Num of Payday Lenders in Block Group or within 1 mile	Avg Num of Payday Lenders in Block Group or within 2 miles	Avg Num of Payday Lenders in Block Group or within 3 miles
Low <5.1	1176	1,736,083	21.0%	**3.2**	0.17	0.49	1.64	3.50
Medium Low <12.9%	1176	1,848,773	22.4%	**1.8**	0.48	1.14	3.23	6.44
Medium <39.6%	1176	1,679,398	20.3%	**1.2**	0.80	2.00	5.21	9.35
Medium High <90.5%	1176	1,729,774	20.9%	**1.0**	0.79	2.02	6.02	11.49
High >90.5	1176	1,277,571	15.4%	**1.0**	0.44	1.40	5.18	11.10

I-B. Detroit, MI PMSA



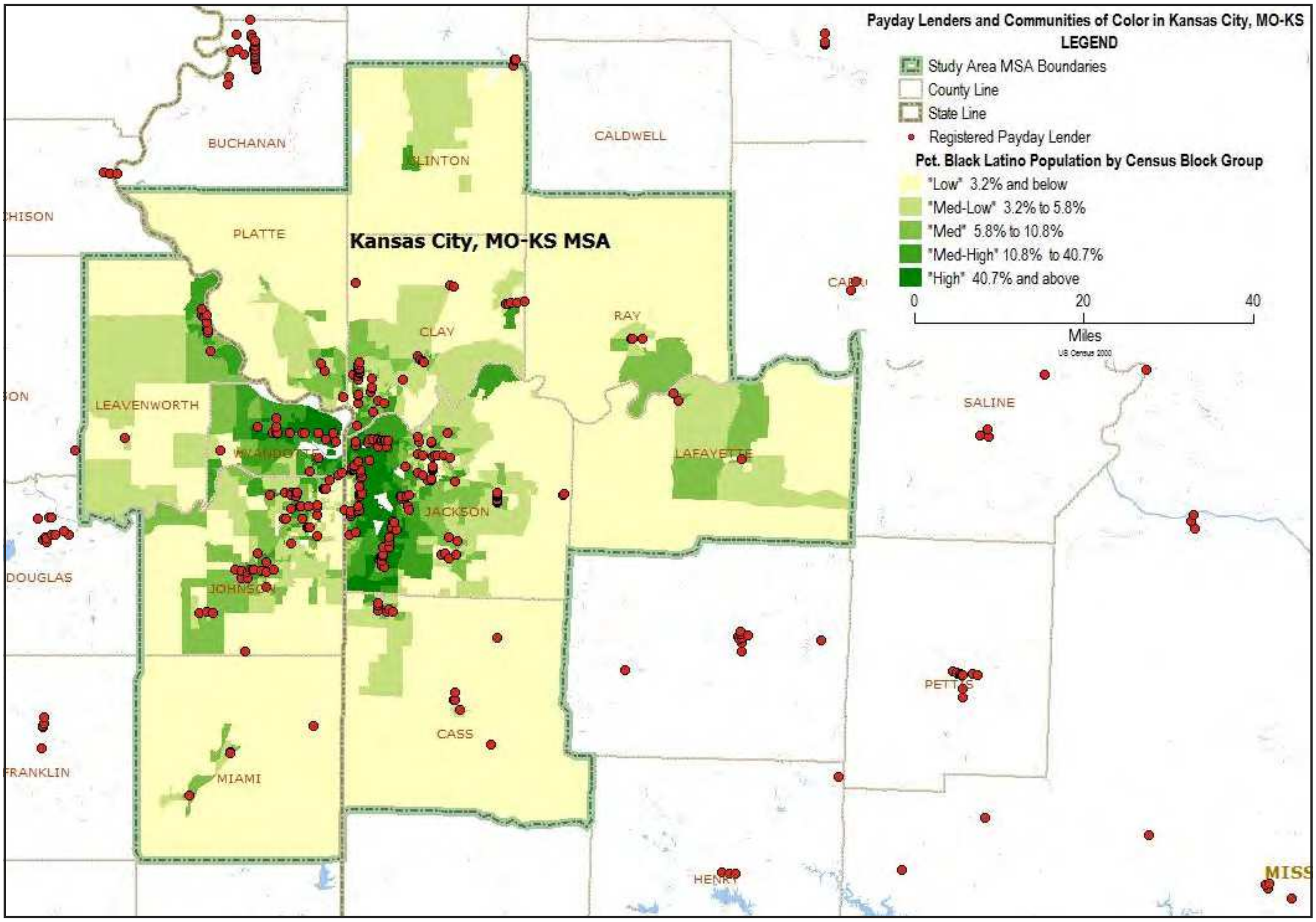
Detroit, MI PMSA								
Quintiles by % of Census Block Group Population African-American or Latino	Number of Census Block Groups	Total Population (2000)	Pct of Total Population	Avg Distance to Nearest Payday Lender (Mi)	Avg Num of Payday Lenders in Block Group or within 0.5 miles	Avg Num of Payday Lenders in Block Group or within 1 mile	Avg Num of Payday Lenders in Block Group or within 2 miles	Avg Num of Payday Lenders in Block Group or within 3 miles
Low <2.1	779	904867	25.7%	**3.1**	0.29	0.80	**2.70**	**5.80**
Medium Low <3.6.%	779	934147	26.5%	**2.3**	0.54	1.34	**3.95**	**7.73**
Medium 9.7%	780	1004524	28.5%	**1.8**	0.65	1.55	**4.21**	**8.03**
Medium High <89.5%	779	907757	25.8%	**1.2**	0.86	1.97	**5.35**	**10.03**
High >89.5	780	678174	19.2%	**0.9**	0.51	1.58	**5.74**	**12.22**

I-C. St. Louis, MO-IL MSA



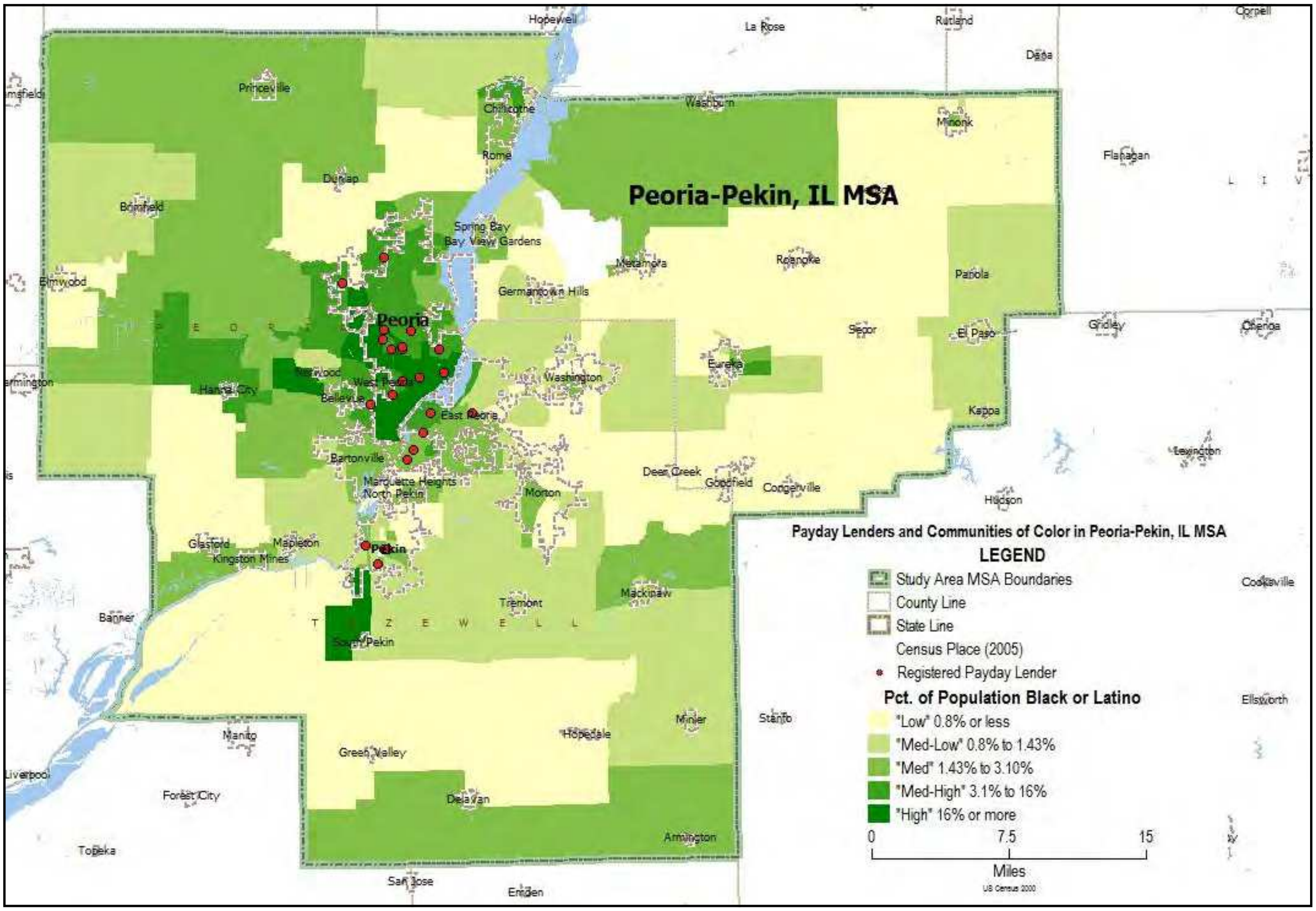
St. Louis MO-IL MSA								
Quintiles by % of Census Block Group Population African-American or Latino	Number of Census Block Groups	Total Population (2000)	Pct of Total Population	Avg Distance to Nearest Payday Lender (Mi)	Avg Num of Payday Lenders in Block Group or within 0.5 miles	Avg Num of Payday Lenders in Block Group or within 1 mile	Avg Num of Payday Lenders in Block Group or within 2 miles	Avg Num of Payday Lenders in Block Group or within 3 miles
Low <1.7%	390	573536	22.0%	**4.0**	0.64	1.23	**2.61**	**4.26**
Medium Low <3.9%	384	655010	25.2%	**2.4**	0.72	1.48	**3.76**	**6.35**
Medium <14%	388	562911	21.6%	**1.7**	0.98	2.05	**4.85**	**8.37**
Medium High <67.4%	387	478689	18.4%	**1.1**	1.13	2.51	**6.51**	**11.90**
High >67.4%	388	332527	12.8%	**1.3**	0.73	1.89	**5.88**	**11.60**

I-D. Kansas City, MO–KS MSA



Kansas City, MO-KS MSA								
% of Population African-American or Latino (Quintile Groups)	Number of Census Block Groups	Total Population (2000)	Pct of Total Population	Avg Distance to Nearest Payday Lender (Mi)	Avg Num of Payday Lenders in Block Group or within 0.5 miles	Avg Num of Payday Lenders in Block Group or within 1 mile	Avg Num of Payday Lenders in Block Group or within 2 miles	Avg Num of Payday Lenders in Block Group or within 3 miles
Low <3.173	286	359769	25.5%	**3.8**	0.65	1.53	**3.91**	**7.05**
Medium Low <3.173%	285	432678	30.6%	**1.6**	1.09	2.51	**6.35**	**11.01**
Medium <10.8%	289	372865	26.4%	**1.3**	1.38	3.15	**7.64**	**12.62**
Medium High <40.674%	285	331783	23.5%	**1.0**	1.84	4.09	**9.37**	**14.87**
High >40.7%	287	274922	19.5%	**0.9**	1.51	3.80	**9.75**	**17.57**

I-E. Peoria, IL MSA



Peoria, IL MSA								
Quintiles by % of Census Block Group Population African-American or Latino	Number of Census Block Groups	Total Population (2000)	Pct of Total Population	Avg Distance to Nearest Payday Lender (Mi)	Avg Num of Payday Lenders in Block Group or within 0.5 miles	Avg Num of Payday Lenders in Block Group or within 1 mile	Avg Num of Payday Lenders in Block Group or within 2 miles	Avg Num of Payday Lenders in Block Group or within 3 miles
Low <0.8%	53	58350	16.8%	**9.7**	0.15	0.40	**0.89**	**1.23**
Medium Low <1.43%	54	74219	21.4%	**6.6**	0.39	0.81	**1.46**	**2.04**
Medium <3.1%	53	75825	21.8%	**5.4**	0.55	1.11	**1.89**	**3.42**
Medium High <16%	53	72173	20.8%	**2.0**	1.00	1.89	**4.92**	**8.43**
High >16%	53	66816	19.2%	**0.9**	0.94	2.55	**6.57**	**10.83**

II-F. Mean Distance to Payday Lenders, All MSAs

Averages for All MSAs								
% of Population African-American or Latino (Quintile Groups)	Number of Census Block Groups	Total Population (2000)	Pct of Total Population	Avg Distance to Nearest Payday Lender (Mi)	Avg Num of Payday Lenders in Block Group or within 0.5 miles	Avg Num of Payday Lenders in Block Group or within 1 mile	Avg Num of Payday Lenders in Block Group or within 2 miles	Avg Num of Payday Lenders in Block Group or within 3 miles
"Low" Black Latino	2,684	3,632,605	20.8%	**3.5**	**0.3**	**0.8**	**2.3**	**4.6**
"Med Low" Black Latino	2,678	3,944,827	22.6%	**2.1**	**0.6**	**1.4**	**3.8**	**7.2**
"Med Black" Latino	2,686	3,695,523	21.2%	**1.5**	**0.8**	**2.0**	**5.1**	**9.1**
"Med High" Black Latino	2,680	3,520,176	20.2%	**1.1**	**1.0**	**2.3**	**6.2**	**11.4**
"High" Black Latino	2,684	2,630,010	15.1%	**1.0**	**0.6**	**1.8**	**6.0**	**12.2**

APPENDIX II. Home Mortgage Data for Metro Area- All Lenders, 2006 and 2009

MSA Name	MSA_MD	Borrower Race	Refi Loans 2006	Refi Loans $ Amount 2006 (000s)	Refi Loans 2009	Refi Loans $ Amount 2009 (000s)	% Change 06 to 09 Loan Volume	% Change 06 to 09 in $ Amnt
Chicago MSA	16974	1White	75347	16825097	117137	28592537	55.5%	69.9%
Chicago MSA	16974	2Black	9816	1560107	3447	625798	-64.9%	-59.9%
Chicago MSA	16974	3Latino	16498	3072489	6348	1171425	-61.5%	-61.9%
Chicago MSA	16974	4OtherRace	6734	1643923	11960	3073734	77.6%	87.0%
Chicago MSA	16974	5Mixed	2300	479462	3525	899451	53.3%	87.6%
Chicago MSA	16974	6Unreported	9328	1695283	12080	3018718	29.5%	78.1%
Detroit MSA	19804	1White	13846	1714299	6242	1058144	-54.9%	-38.3%
Detroit MSA	19804	2Black	2984	279029	235	29261	-92.1%	-89.5%
Detroit MSA	19804	3Latino	382	35199	63	9095	-83.5%	-74.2%
Detroit MSA	19804	4OtherRace	556	112645	690	160571	24.1%	42.5%
Detroit MSA	19804	5Mixed	237	27771	121	22333	-48.9%	-19.6%
Detroit MSA	19804	6Unreported	1859	194562	716	121697	-61.5%	-37.5%
Kansas City, MO-KS	28140	1White	17626	2441129	29457	5443862	67.1%	123.0%
Kansas City, MO-KS	28140	2Black	883	102759	516	78410	-41.6%	-23.7%
Kansas City, MO-KS	28140	3Latino	470	50564	371	55275	-21.1%	9.3%
Kansas City, MO-KS	28140	4OtherRace	299	47643	742	144467	148.2%	203.2%
Kansas City, MO-KS	28140	5Mixed	410	54458	730	136410	78.0%	150.5%
Kansas City, MO-KS	28140	6Unreported	2226	279215	3211	609629	44.2%	118.3%
Peoria, IL MSA	37900	1White	2760	282819	7862	1100187	184.9%	289.0%
Peoria, IL MSA	37900	2Black	61	5159	76	10538	24.6%	104.3%
Peoria, IL MSA	37900	3Latino	16	1180	35	3503	118.8%	196.9%
Peoria, IL MSA	37900	4OtherRace	39	6132	211	39441	441.0%	543.2%
Peoria, IL MSA	37900	5Mixed	25	2391	91	14455	264.0%	504.6%
Peoria, IL MSA	37900	6Unreported	159	14447	284	45858	78.6%	217.4%
St. Louis, MO-IL MSA	41180	1White	30576	4441324	58044	10580713	89.8%	138.2%
St. Louis, MO-IL MSA	41180	2Black	2222	256828	1090	161692	-50.9%	-37.0%
St. Louis, MO-IL MSA	41180	3Latino	248	32723	360	62156	45.2%	89.9%
St. Louis, MO-IL MSA	41180	4OtherRace	517	94060	1436	321578	177.8%	241.9%
St. Louis, MO-IL MSA	41180	5Mixed	486	70104	839	156301	72.6%	123.0%
St. Louis, MO-IL MSA	41180	6Unreported	3411	464909	4981	967390	46.0%	108.1%
		Totals	**202,321**	**36,287,710**	**272,900**	**58,714,629**	**34.9%**	**61.8%**

Home Mortgage Data for Combined Metro Area- All Lenders, 2006 and 2009

Home Refinance Mortgage by Borrower Race/ Hispanic ethnicity

Borrower Race	Refi Loans 2006	Refi Loans $ Amount 2006 (000s)	Refi Loans 2009	Refi Loans $ Amount 2009 (000s)	% Change 06 to 09 Loan Volume	% Change 06 to 09 in $ Amnt
1White	140155	25704668	218742	46775443	56.1%	82.0%
2Black	15966	2203882	5364	905699	-66.4%	-58.9%
3Latino	17614	3192155	7177	1301454	-59.3%	-59.2%
4OtherRace	8145	1904403	15039	3739791	84.6%	96.4%
5Mixed	3458	634186	5306	1228950	53.4%	93.8%
6Unreported	16983	2648416	21272	4763292	25.3%	79.9%
totals	202321	36287710	272900	58714629	**34.9%**	**61.8%**

APPENDIX II-B. 2009 Home Mortgage Data for Metro Area- All Lenders

								ALL LENDERS						
MSA Name	MSA Code	Census Tract Race (quintile groups)	Number of Tracts	Total Pop 2000	Avg Pct Minority	Avg Pct Black Latino 2000	Owner Occ Units	All 09 Home Loans	All 09 Home Loan Amnt ($000s)	Prime Rate Loans 09	Prime Rate Loans 09 / Owner Occupied Housing Units	Prime Rate Loans Amnt	Prime Refi 09	Prime Rate Refi Loans 09 / Owner Occupied Housing Units
Chicago MSA	16974	1 Low <.062	302	1569805	9.29	3.81%	491600	73707	19370193	72609	0.1477	19107027	63347	0.1289
Chicago MSA	16974	2 Med Low <.16	349	1888767	18.94	10.24%	522222	64990	14826339	63817	0.1222	14623555	54618	0.1046
Chicago MSA	16974	3 Med <.46	341	1581093	37.76	28.88%	350433	34330	7959051	33465	0.0955	7822741	27357	0.0781
Chicago MSA	16974	4 Med High <.93	337	1477535	74.62	70.65%	244936	14785	3116467	14154	0.0578	3040373	10978	0.0448
Chicago MSA	16974	5 High >.93	333	1035597	98.62	98.07%	121603	3320	518242	2933	0.0241	478140	2343	0.0193
Detroit MSA	19804	1 Low <.023	39	145841	4.70	1.86%	50853	3609	751167	3543	0.0697	742325	2835	0.0557
Detroit MSA	19804	2 Med Low <.0384	74	255406	6.78	3.16%	79934	2310	314844	2207	0.0276	307402	1721	0.0215
Detroit MSA	19804	3 Med <.0864	107	413329	11.27	5.73%	120082	3544	476151	3390	0.0282	465027	2586	0.0215
Detroit MSA	19804	4 Med High <.82	123	428841	46.17	39.33%	70972	1891	251976	1790	0.0252	245843	1297	0.0183
Detroit MSA	19804	5 High >.82	170	584124	95.80	94.13%	50345	556	24325	467	0.0093	20221	400	0.0079
Kansas City MSA	28140	1 Low <.0391	110	440985	4.39	2.27%	136771	19862	4151167	18952	0.1386	4030099	15388	0.1125
Kansas City MSA	28140	2 Med Low <.0661	101	497674	8.72	5.28%	143817	15807	2614042	15289	0.1063	2559909	12227	0.0850
Kansas City MSA	28140	3 Med <.143	101	393349	13.73	9.37%	103103	9454	1470295	9132	0.0886	1438832	7150	0.0693
Kansas City MSA	28140	4 Med High <.5	90	272158	35.87	30.75%	58812	2528	297530	2368	0.0403	285055	1738	0.0296
Kansas City MSA	28140	5 High >.5	88	209181	80.24	76.89%	28831	526	40052	434	0.0151	34769	335	0.0116
Peoria, IL MSA	37900	1 Low <.0093	18	62096	1.58	0.62%	19253	2889	422321	2736	0.1421	408641	2221	0.1154
Peoria, IL MSA	37900	2 Med Low <.014	22	89224	2.34	1.11%	26114	3455	474002	3239	0.1240	453050	2618	0.1003
Peoria, IL MSA	37900	3 Med <.05	20	80890	4.14	2.28%	24432	2803	383078	2641	0.1081	370592	2142	0.0877
Peoria, IL MSA	37900	4 Med High <.2	19	81939	14.41	10.44%	22890	2485	325377	2348	0.1026	313473	1777	0.0776
Peoria, IL MSA	37900	5 High >.2	16	51289	55.87	52.43%	7481	351	26797	312	0.0417	25197	219	0.0293
St. Louis MSA	41180	1 Low <.0196	127	675509	2.52	1.19%	208222	25923	4409734	24757	0.1189	4278933	21727	0.1043
St. Louis MSA	41180	2 Med Low <.04	107	606765	5.87	3.01%	187375	29640	5902919	29017	0.1549	5816816	24976	0.1333
St. Louis MSA	41180	3 Med <.13	107	520542	10.57	7.03%	147310	17178	2769924	16594	0.1126	2703936	14024	0.0952
St. Louis MSA	41180	4 Med High <.55	103	506779	31.71	27.58%	124882	9671	1609527	9267	0.0742	1570096	7562	0.0606
St. Louis MSA	41180	5 High >.55	88	346932	86.97	85.27%	60738	1569	183250	1448	0.0238	176057	1097	0.0181

2009 Home Mortgage Data - Five MSA Totals by African-American and Latino Concentration

						All Lenders						
Ranking of Black or Latino Population (quintile groups)	Number of Tracts	TOTAL_POP 2000	Avg Pct Minority	Avg Pct Blk Ltn 2000	Owner Occ Units	All 09 Home Loans	All 09 Home Loan Amnt ($000s)	Prime Rate Loans 09	Prime Rate Loans Amnt	Prime Refi 09	Refinance Loans / Owner-Occupied Housing Units	Prime Refi Amnt
Low Black Latino	585	2894235	6.53	0.0280	906699	125917	29095561	122544	28559506	105470	**11.6%**	24297499
Med-Low Black Latino	652	3337776	13.17	0.0717	959462	116187	24127525	113554	23756111	96151	**10.0%**	20013711
Med Black Latino	676	2989203	24.68	0.1806	745360	67309	13058499	65222	12801128	53259	**7.1%**	10405865
Med-High Black Latino	668	2767054	55.83	0.5115	522487	31250	5570231	29818	5424498	23268	**4.5%**	4234178
High Black Latino	690	2226977	93.21	0.9182	268983	6198	758180	5473	700280	4300	**1.6%**	541727

APPENDIX III. Metro Area Home Refinance Mortgage Data - List of "Major" Banks

Bank of America, Wells Fargo, Citibank, and JPMorgan Chase affiliate and subsidiary mortgage lenders

Lender Name	Lender ID	Agency Code	Lender Parent Name	Lender Name	Lender ID	Agency Code	Lender Parent Name
1ST CAPITAL MORTGAGE, LLC	20-0617801	1	WELLS FARGO BANK, N.A.	HREG MORTGAGE SERVICES, LLC	26-1319419	1	WELLS FARGO BANK, N.A.
ACCENT MORTGAGE, LLC	26-1602421	1	JPMORGAN CHASE BANK, NA	ILLUSTRATED PROPERTIES MTG CO	36-4486508	1	WELLS FARGO BANK, N.A.
ADVANCE MORTGAGE	52-1996388	1	WELLS FARGO BANK, N.A.	INTEGRITY HOME FUNDING, LLC	20-3576214	1	WELLS FARGO BANK, N.A.
ADVANTAGE MTGE PARTNERS, LLC	74-3110518	1	WELLS FARGO BANK, N.A.	JLH MORTGAGE	26-1549274	1	BANK OF AMERICA NA
ALASKA BEST MORTGAGE, LLC	20-4072771	1	WELLS FARGO BANK, N.A.	JOHN LAING MORTGAGE, LP	33-0697309	1	WELLS FARGO BANK, N.A.
ALLIANCE GROUP LENDING, LLC	65-1113234	1	WELLS FARGO BANK, N.A.	JONES & MINEAR FINL SERV, LLC	20-4554037	1	WELLS FARGO BANK, N.A.
ALLIANCE HOME MORTGAGE, LLC	20-3075822	1	WELLS FARGO BANK, N.A.	JP MORTGAGE, LLC	36-4524112	1	JPMORGAN CHASE BANK, NA
AMERICAN ACCESS MORTGAGE, LLC	25-1834994	1	JPMORGAN CHASE BANK, NA	JPMORGAN CHASE BANK, NA	0000000008	1	
AMERICAN PRIORITY MORTGAGE LLC	72-1459489	1	WELLS FARGO BANK, N.A.	KB HOME MORTGAGE, LLC	20-2241771	1	BANK OF AMERICA NA
AMERICAN SOUTHERN MORTGAGE SRV	20-1401376	1	WELLS FARGO BANK, N.A.	KELLER MORTGAGE, LLC	20-2232700	1	WELLS FARGO BANK, N.A.
AMERICANMTGNETWORK DBA VERTICE	33-0970030	1	WELLS FARGO BK NA	LEGACY MORTGAGE	31-1406492	1	WELLS FARGO BANK, N.A.
APM MORTGAGE, LLC	20-1379530	1	WELLS FARGO BANK, N.A.	LINEAR FINANCIAL, LP	33-0875305	1	WELLS FARGO BANK, N.A.
ASCENT FINANCIAL SERVICES, LLC	26-1480741	1	WELLS FARGO BANK, N.A.	MANHATTAN HOME FINANCE, LLC	26-1602363	1	JPMORGAN CHASE BANK, NA
ASHTON WOODS MORTGAGE, LLC	58-2539277	1	WELLS FARGO BANK, N.A.	MARBEN MORTGAGE, LLC	20-2953610	1	WELLS FARGO BANK, N.A.
BAILEY MORTGAGE, LLC	05-0541360	1	JPMORGAN CHASE BANK, NA	MARTHA TURNER MORTGAGE, LLC	26-0832315	1	WELLS FARGO BANK, N.A.
BANK OF AMERICA, N.A.	0000013044	1	BANK OF AMERICA CORPORATION	MAX MORTGAGE, LLC	36-4477404	1	WELLS FARGO BANK, N.A.
BANKERS FUNDING COMPANY, LLC	41-2258563	1	WELLS FARGO BANK, N.A.	MC OF AMERICA, LLC	20-0482176	1	WELLS FARGO BANK, N.A.
BELGRAVIA MORTGAGE GROUP, LLC	20-1401154	1	WELLS FARGO BANK, N.A.	MCMILLIN HOME MORTGAGE, LLC	26-2931538	1	WELLS FARGO BANK, N.A.
BENEFIT MORTGAGE, LLC	80-0066631	1	WELLS FARGO BANK, N.A.	MERRILL LYNCH BANK & TRUST FSB	0000014460	4	BANK OF AMERICA CORPORATION
BERKS MORTGAGE SERVICES, LLC	20-3872195	1	WELLS FARGO BANK, N.A.	MERRILL LYNCH CREDIT CORP	13-3098068	1	BANK OF AMERICA NA
BEST MORTGAGE RESOURCE	26-1546756	1	BANK OF AMERICA NA	MORGANTON FEDERAL S & L	0000005332	4	
BHS HOME LOANS, LLC	20-1671472	1	WELLS FARGO BANK, N.A.	MORTGAGE 100, LLC	16-1661962	1	WELLS FARGO BANK, N.A.
BIRCHFIELD HOME MORTGAGE	27-0347793	1	BANK OF AMERICA NA	MORTGAGE ONE	34-1842620	1	WELLS FARGO BANK, N.A.
BUCKS COUNTY LENDING GROUP,LLC	31-1805337	1	JPMORGAN CHASE BANK, NA	MORTGAGES ON-SITE, LLC	04-3721145	1	WELLS FARGO BANK, N.A.
CALIFORNIA PREMIERE LENDING	26-2143790	1	JPMORGAN CHASE BANK, NA	MORTGAGES UNLIMITED, LLC	47-0896939	1	WELLS FARGO BANK, N.A.
CAMBRIDGE MORTGAGE SERVICES	22-3566214	1	JPMORGAN CHASE BANK, NA	MOUNTAIN SUMMIT MORTGAGE, LLC	26-3886705	1	WELLS FARGO BANK, N.A.
CAPSTONE HOME MORTGAGE, LLC	20-3371374	1	WELLS FARGO BANK, N.A.	MSC MORTGAGE, LLC	65-0904482	1	WELLS FARGO BANK, N.A.
CAROLINA MORTGAGE/CDJ, LLC	20-0011823	1	WELLS FARGO BANK, N.A.	MUTUAL SERVICE MORTGAGE, LLC	30-0073253	1	WELLS FARGO BANK, N.A.
CBH HOME LOANS	26-1547152	1	BANK OF AMERICA NA	NEW MORTGAGE ADVISORS	26-1549445	1	BANK OF AMERICA NA
CENTENNIAL HOME MORTGAGE, LLC	20-4648575	1	WELLS FARGO BANK, N.A.	NUCOMPASS MORTGAGE SERVICES LL	20-0790865	1	WELLS FARGO BANK, N.A.
CENTRAL FEDERAL MORTGAGE CO	52-1993435	1	WELLS FARGO BANK, N.A.	OCEAN CREST LENDING LLC	20-8609407	1	JPMORGAN CHASE BANK, NA
CHESCO FINANCIAL SERVICES, LLC	20-1961099	1	JPMORGAN CHASE BANK, NA	ONE HOME MORTGAGE, LLC	26-1777273	1	JPMORGAN CHASE BANK, NA
CHOICE MORTGAGE SERVICING, LLC	20-2368435	1	WELLS FARGO BANK, N.A.	PACIFIC LIFESTYLE MORTGAGE LLC	26-1319303	1	WELLS FARGO BANK, N.A.
CITIBANK, N.A.	0000001461	1	CITIGROUP INC.	PCM MORTAGE, LLC	20-0233909	1	WELLS FARGO BANK, N.A.
CITICORP TRUST BANK FSB	0000014470	4	CITICORP TRUST BANK, FSB	PEACHTREE RESIDENTIAL MORTGAGE	26-0274548	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL CORPO	0003106181	2	CITIFINANCIAL CREDIT COMPANY	PERSONAL MORTGAGE GROUP, LLC	36-4483896	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL COMPANY(DE)	0002752321	2	CITIFINANCIAL CREDIT COMPANY	PHMCWF, LLC	26-2074895	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL CORPORATION	0002752684	2	CITIFINANCIAL CREDIT COMPANY	PHX MORTGAGE ADVISORS, LLC	26-4276702	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL EQUITY SERVI	0002751995	2	CITIFINANCIAL CREDIT COMPANY	PINNACLE MORTGAGE OF NEVADA	88-0419519	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL SERVICES, INC.	0000902270	2	CITICORP HOME EQUITY, INC.	PLATINUM RESIDENTIAL MORTGAGE	20-4318400	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL SERVICES, INC.	0002750242	2	CITIFINANCIAL CREDIT COMPANY	PNC MORTGAGE, LLC	20-3207833	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL SERVICES, INC.	0002751801	2	CITIFINANCIAL CREDIT COMPANY	PREMIA MORTGAGE, LLC	26-3780954	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL SERVICES, INC.	0002751810	2	CITIFINANCIAL CREDIT COMPANY	PRIMARY HOME FINANCE, LLC	20-5424817	1	JPMORGAN CHASE BANK, NA
CITIFINANCIAL SERVICES, INC.	0002751847	2	CITIFINANCIAL CREDIT COMPANY	PRIME ONE MORTGAGE, LLC	23-3042457	1	JPMORGAN CHASE BANK, NA
CITIFINANCIAL SERVICES, INC.	0002751922	2	CITIFINANCIAL CREDIT COMPANY	PRIME SELECT MORTGAGE, LLC	20-3539651	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL SERVICES, INC.	0002752013	2	CITIFINANCIAL CREDIT COMPANY	PRIORITY MORTGAGE COMPANY, LLC	26-3299781	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL SERVICES, INC.	0002752077	2	CITIFINANCIAL CREDIT COMPANY	PRIVATE MORTGAGE ADVISORS, LLC	20-0013136	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL SERVICES, INC.	0002861595	2	CITIFINANCIAL CREDIT COMPANY	PROFESSIONAL MORTGAGE ASSOC LL	26-4531878	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL, INC.	0000523965	2	CITIFINANCIAL CREDIT COMPANY	PROFESSL FINL SERVS OF ARIZONA	20-0479222	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL, INC.	0000860473	2	CITIFINANCIAL CREDIT COMPANY	PROPERTYMORTGAGE.COM	26-1549732	1	BANK OF AMERICA NA
CITIFINANCIAL, INC.	0002750532	2	CITIFINANCIAL CREDIT COMPANY	PROSPERITY MORTGAGE COMPANY	54-1685390	7	WELLS FARGO BANK, N.A.
CITIFINANCIAL, INC.	0002751762	2	CITIFINANCIAL CREDIT COMPANY	RA MORTGAGE, LLC	26-2931598	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL, INC.	0002751968	2	CITIFINANCIAL CREDIT COMPANY	RAINIER MORTGAGE, LLC	20-8501612	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL, INC.	0002751986	2	CITIFINANCIAL CREDIT COMPANY	REAL ESTATE LENDERS	95-4833804	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL, INC.	0002752022	2	CITIFINANCIAL CREDIT COMPANY	REAL LIVING MORTGAGE, LLC A	04-3588591	1	WELLS FARGO BANK, N.A.
CITIFINANCIAL, INC.	0002817118	2	CITICORP HOME EQUITY, INC.	REAL LIVING MORTGAGE, LLC B	26-4276901	1	WELLS FARGO BANK, N.A.
CITIMORTGAGE, INC	13-3222578	1	CITIGROUP INC.	REALTY HOME MORTGAGE, LLC	04-3594252	1	WELLS FARGO BANK, N.A.
CITYLIFE LENDING GROUP, LLC	20-4221925	1	WELLS FARGO BANK, N.A.	RELIABLE FINANCIAL SERVICES	0002522533	2	WELLS FARGO & CO
CMV HOME LOANS	26-1547341	1	BANK OF AMERICA NA	RESIDENTIAL HOME DIVISION, LLC	26-2644756	1	WELLS FARGO BANK, N.A.
COLORADO CAPITAL MTGE CO, LLC	26-0423947	1	WELLS FARGO BANK, N.A.	RESIDENTIAL MORTGAGE DIVISION	20-5832291	1	WELLS FARGO BANK, N.A.
COLORADO MORTGAGE ALLIANCE LLC	84-1542642	1	WELLS FARGO BANK, N.A.	RESIDENTIAL MORTGAGE GROUP	20-2356201	1	JPMORGAN CHASE BANK, NA
COLORADO PROFESSIONALS MORTGAG	27-0032837	1	WELLS FARGO BANK, N.A.	RESIDENTIAL MORTGAGE SERVICES	26-3205612	1	WELLS FARGO BANK, N.A.
COMMUNITY LIFE MORTGAGE, LLC	20-5251727	1	JPMORGAN CHASE BANK, NA	RESORTQUEST MORTGAGE, LLC	20-0011291	1	WELLS FARGO BANK, N.A.
CONWAY HOME MORTGAGE, LLC	20-0315363	1	WELLS FARGO BANK, N.A.	RIVERSIDE HOME LOANS, LLC	20-2594480	1	WELLS FARGO BANK, N.A.
COUNTRYWIDE BANK FSB	0000018039	4	BANK OF AMERICA CORPORATION	RUSS LYON MORTGAGE, LLC	72-1604171	1	WELLS FARGO BANK, N.A.
DE CAPITAL MORTGAGE, LLC	26-1319234	1	WELLS FARGO BANK, N.A.	RWF MORTGAGE, LLC	20-3207725	1	WELLS FARGO BANK, N.A.
DH FINANCIAL, LLC	01-0595595	1	WELLS FARGO BANK, N.A.	SANTA FE MORTGAGE, LLC	74-2949159	1	WELLS FARGO BANK, N.A.
EDWARD JONES MORTGAGE, LLC	42-1472314	1	WELLS FARGO BANK, N.A.	SECURITY FIRST FINL GROUP, LLC	80-0066627	1	WELLS FARGO BANK, N.A.
ELITE HOME MORTGAGE, LLC	20-5522367	1	WELLS FARGO BANK, N.A.	SELECT HOME MORTGAGE, LLC	26-3401287	1	WELLS FARGO BANK, N.A.
ENNIS HOME MORTGAGE, LP	41-2064761	1	WELLS FARGO BANK, N.A.	SELECT LENDING SERVICES, LLC	20-8912215	1	WELLS FARGO BANK, N.A.
EXPRESS FIN'L & MORTGAGE SERVC	20-0830196	1	WELLS FARGO BANK, N.A.	SIGNATURE HOME MORTGAGE, LLC	20-8912169	1	WELLS FARGO BANK, N.A.
FIRST ASSOCIATES MORTGAGE, LCC	20-2069793	1	WELLS FARGO BANK, N.A.	SKOGMAN MORTGAGE COMPANY	39-1871324	1	WELLS FARGO BANK, N.A.
FIRST COMMONWEALTH HOME MTGE	20-4436381	1	WELLS FARGO BANK, N.A.	SKYLINE HOME MORTGAGE, LLC	20-4936805	1	WELLS FARGO BANK, N.A.
FIRST FREEDOM MORTGAGE	26-1547638	1	BANK OF AMERICA NA	SOUTH CENTRAL MORTGAGE, LLC	20-2433622	1	JPMORGAN CHASE BANK, NA
FIRST MORTGAGE CONSULTANTS LLC	20-0749218	1	WELLS FARGO BANK, N.A.	SOUTHEAST HOME MORTGAGE, LLC	75-3011794	1	WELLS FARGO BANK, N.A.
FIRST PENINSULA MORTGAGE, LLC	26-2939907	1	WELLS FARGO BANK, N.A.	SOUTHEAST MINNESOTA MORTGAGE	20-3981881	1	WELLS FARGO BANK, N.A.
FIRST RATE HOME MORTGAGE, LLC	20-1526290	1	WELLS FARGO BANK, N.A.	SOUTHERN OHIO MORTGAGE, LLC	02-0647942	1	WELLS FARGO BANK, N.A.
FIVE STAR LENDING, LLC	20-4795415	1	WELLS FARGO BANK, N.A.	SPH MORTGAGE, LLC	58-2531174	1	WELLS FARGO BANK, N.A.
FLORIDA HOME FINANCE GROUP,LLC	20-5284590	1	WELLS FARGO BANK, N.A.	SRC MORTGAGE	26-1549792	1	BANK OF AMERICA NA
FNBR MORTGAGE	26-1548573	1	BANK OF AMERICA NA	STIRLING MORTGAGE SERVICES LLC	26-1319379	1	WELLS FARGO BANK, N.A.
FOUNDATION MORTGAGE SERVICES	82-0564743	1	WELLS FARGO BANK, N.A.	STOCK FINANCIAL SERVICES, LLC	42-1570515	1	WELLS FARGO BANK, N.A.
FULTON HOME MORTGAGE, LLC	20-2784791	1	WELLS FARGO BANK, N.A.	SUMMIT NATIONAL MORTGAGE, LLC	20-1671394	1	WELLS FARGO BANK, N.A.
GENESIS MORTGAGE, LLC	20-0749370	1	WELLS FARGO BANK, N.A.	THE GROUP GUARANTEED MORTGAGE	26-1549867	1	BANK OF AMERICA NA
GIBRALTAR MORTGAGE SERVICES LL	61-1552666	1	WELLS FARGO BANK, N.A.	THOROUGHBRED MORTGAGE, LLC	26-1227062	1	WELLS FARGO BANK, N.A.
GIBRALTAR MORTGAGE, LLC	90-0342039	1	WELLS FARGO BANK, N.A.	TOWN & COUNTRY NORTGAGE GROUP	20-0617912	1	WELLS FARGO BANK, N.A.
GREAT EAST MORTGAGE, LLC	20-1401247	1	WELLS FARGO BANK, N.A.	TOWN AND COUNTRY MORTGAGE, LLC	52-2335728	1	JPMORGAN CHASE BANK, NA
GREATER ATLANTA FINANCIAL SERV	20-4436455	1	WELLS FARGO BANK, N.A.	TPG FUNDING, LLC	27-0629132	1	WELLS FARGO BANK, N.A.
GREENPATH FUNDING, LLC	20-0479324	1	WELLS FARGO BANK, N.A.	TRADEMARK MORTGAGE, LLC	20-2070075	1	WELLS FARGO BANK, N.A.
GREENRIDGE MORTGAGE SERVICES	03-0419145	1	WELLS FARGO BANK, N.A.	URBAN HOME MORTGAGE, LLC	20-4651133	1	JPMORGAN CHASE BANK, NA
GUARANTEE PACIFIC MORTGAGE LLC	32-0095778	1	WELLS FARGO BANK, N.A.	VALUE MORTGAGE, LLC	20-0258466	1	JPMORGAN CHASE BANK, NA
HALLMARK MORTGAGE GROUP, LLC	75-3011781	1	WELLS FARGO BANK, N.A.	VILLAGE COMMUNITIES FINANCIAL	20-5124553	1	WELLS FARGO BANK, N.A.
HANSEN AND HORN FINANCIAL, LLC	26-1668430	1	WELLS FARGO BANK, N.A.	WACHOVIA BANK NA	0000000001	1	WELLS FARGO & COMPANY
HEARTLAND SECURITY LENDING LLC	26-3088341	1	WELLS FARGO BANK, N.A.	WACHOVIA BANK OF DELAWARE	0000022559	1	WELLS FARGO & COMPANY
HENDRICKS MORTGAGE, LLC	02-0638418	1	WELLS FARGO BANK, N.A.	WACHOVIA FINANCIAL SERVICES	13-2647352	1	WELLS FARGO BANK NA
HERITAGE HOME MORTGAGE GROUP	20-4361491	1	WELLS FARGO BANK, N.A.	WACHOVIA MORTGAGE FSB	0000012642	4	WELLS FARGO & COMPANY
HIGHLAND LOANSOURCE	26-1548895	1	BANK OF AMERICA NA	WELLS FARGO BANK, NA	0000001741	1	WELLS FARGO & CO
HILLSBOROUGH LENDING, LLC	26-1917078	1	WELLS FARGO BANK, N.A.	WELLS FARGO FUNDING, INC	41-1704421	1	WELLS FARGO BK NA
HOME MORTGAGE SPECIALISTS, LLC	20-8613267	1	WELLS FARGO BANK, N.A.	WELLS FARGO HOME MORTG HAWAII	99-0332905	1	WELLS FARGO BANK, N.A.
HOMELIFE FINANCIAL, LLC	20-4222524	1	WELLS FARGO BANK, N.A.	WESTERN MUTUAL HOME LOANS	26-1550068	1	BANK OF AMERICA CORPORATION
HOMESERVICES LENDING, LLC	41-1914032	1	WELLS FARGO BANK, N.A.	WESTERN PARADISE FINANCIAL	26-1550102	1	BANK OF AMERICA NA
				WFS MORTGAGE, LLC	26-3574004	1	WELLS FARGO BANK, N.A.
				WILLIAM PITT MORTGAGE, LLC	26-0424388	1	WELLS FARGO BANK, N.A.
				WINMARK FINANCIAL, LLC	20-4361405	1	WELLS FARGO BANK, N.A.

APPENDIX III-B. 2009 Home Mortgage Data for Metro Area– Major Banks Only

	PRIME CONVENTIONAL Owner Occupied Refinance LOANS							
MSA NAME	MSA_MD	Borrower Race	Refi Loans 2006	Refi Loans $ Amount 2006 (000s)	Refi Loans 2009	Refi Loans $ Amount 2009 (000s)	% Change 06 to 09 Loan Volume	% Change 06 to 09 in total $ Amnt
Chicago MSA	16974	1White	24418	5880667	40072	9639179	64.1%	63.9%
Chicago MSA	16974	2Black	3814	610174	1742	318554	-54.3%	-47.8%
Chicago MSA	16974	3Latino	6115	1221931	2642	495467	-56.8%	-59.5%
Chicago MSA	16974	4OtherRace	2420	636216	5682	1415815	134.8%	122.5%
Chicago MSA	16974	5Mixed	746	166488	1433	346652	92.1%	108.2%
Chicago MSA	16974	6Unreported	3309	643698	6281	1584997	89.8%	146.2%
Detroit MSA	19804	1White	2817	371886	1973	339603	-30.0%	-8.7%
Detroit MSA	19804	2Black	780	74511	88	11425	-88.7%	-84.7%
Detroit MSA	19804	3Latino	117	9835	25	4077	-78.6%	-58.5%
Detroit MSA	19804	4OtherRace	147	29400	170	40240	15.6%	36.9%
Detroit MSA	19804	5Mixed	48	5325	46	8404	-4.2%	57.8%
Detroit MSA	19804	6Unreported	459	52502	228	41919	-50.3%	-20.2%
Kansas City, MO-KS	28140	1White	5081	680257	8806	1584412	73.3%	132.9%
Kansas City, MO-KS	28140	2Black	291	32885	177	27753	-39.2%	-15.6%
Kansas City, MO-KS	28140	3Latino	204	21854	148	21956	-27.5%	0.5%
Kansas City, MO-KS	28140	4OtherRace	107	15542	258	49320	141.1%	217.3%
Kansas City, MO-KS	28140	5Mixed	133	17884	279	50111	109.8%	180.2%
Kansas City, MO-KS	28140	6Unreported	730	90167	1139	224174	56.0%	148.6%
Peoria, IL MSA	37900	1White	405	40881	631	102137	55.8%	149.8%
Peoria, IL MSA	37900	2Black	20	1514	9	1232	-55.0%	-18.6%
Peoria, IL MSA	37900	3Latino	2	233	3	386	50.0%	65.7%
Peoria, IL MSA	37900	4OtherRace	6	819	28	5806	366.7%	608.9%
Peoria, IL MSA	37900	5Mixed	5	513	10	1567	100.0%	205.5%
Peoria, IL MSA	37900	6Unreported	42	5237	97	16954	131.0%	223.7%
St. Louis, MO-IL MSA	41180	1White	8203	1164868	11180	1987741	36.3%	70.6%
St. Louis, MO-IL MSA	41180	2Black	822	93337	388	53408	-52.8%	-42.8%
St. Louis, MO-IL MSA	41180	3Latino	98	13754	99	16692	1.0%	21.4%
St. Louis, MO-IL MSA	41180	4OtherRace	158	30966	314	68465	98.7%	121.1%
St. Louis, MO-IL MSA	41180	5Mixed	157	19284	263	49605	67.5%	157.2%
St. Louis, MO-IL MSA	41180	6Unreported	1106	149161	1701	346867	53.8%	132.5%
		totals	**62760**	**12081789**	**85912**	**18854918**	**36.9%**	**56.1%**

Major Bank Lenders - Prime Rate Refinance Loans

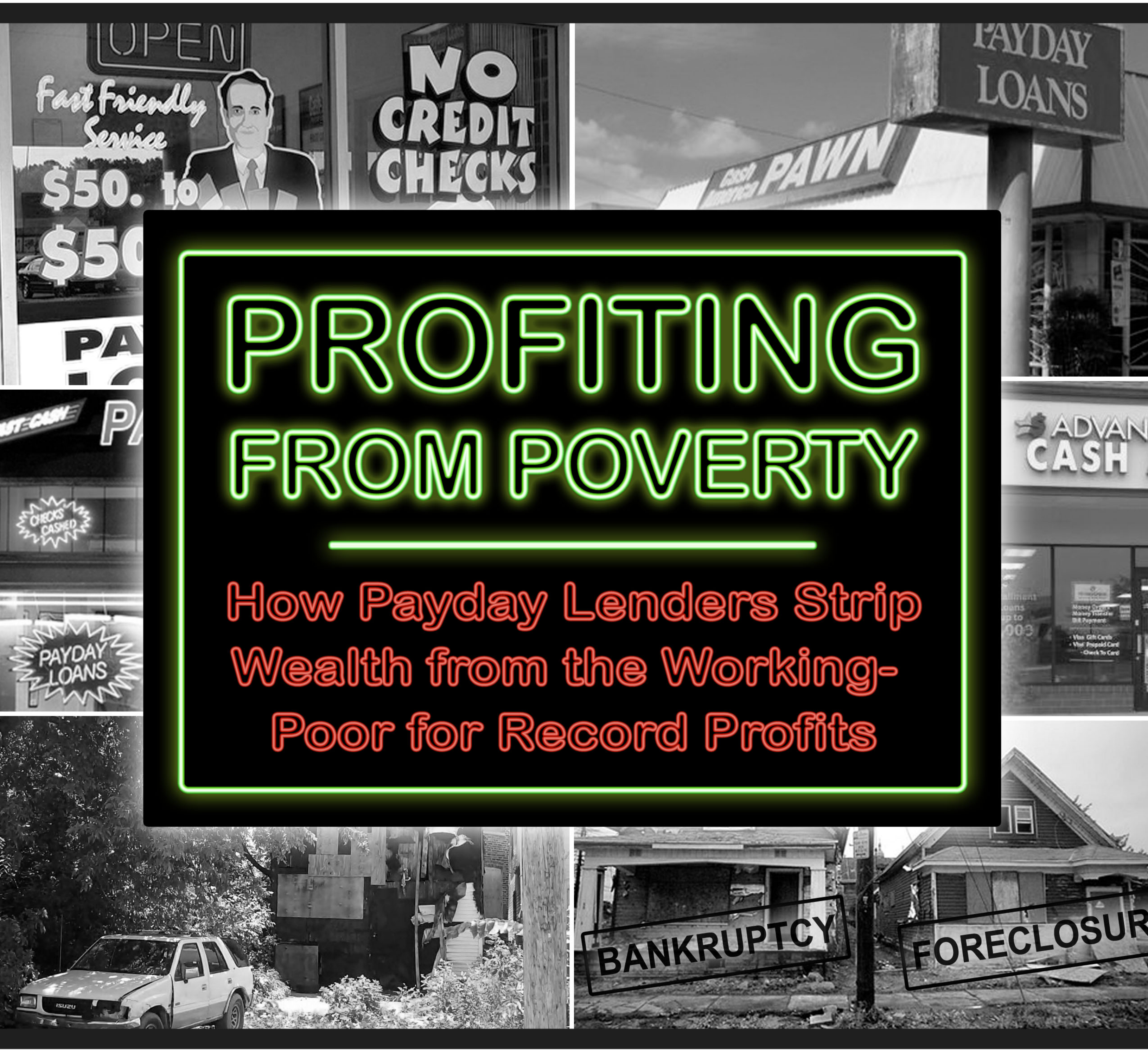
Borrower Race	Borrower Income	Refi Loans 2006	Refi Loans $ Amount 2006 (000s)	Refi Loans 2009	Refi Loans $ Amount 2009 (000s)	% Change 06 to 09 Loan Volume	% Change 06 to 09 in $ Amnt
White	Low	2,352	200,635	2,850	330,768	21.2%	64.9%
White	Moderate	8,077	934,094	8,849	1,256,510	9.6%	34.5%
White	Middle	12,759	1,855,413	14,991	2,730,424	17.5%	47.2%
White	Upper	20,726	5,423,124	33,894	8,927,343	63.5%	64.6%
All White		43,914	8,413,266	60,584	13,245,045	38.0%	57.4%
Black	Low	909	78,256	275	28,441	-69.7%	-63.7%
Black	Moderate	1,830	197,485	565	70,968	-69.1%	-64.1%
Black	Middle	1,899	250,876	663	104,039	-65.1%	-58.5%
Black	Upper	1,605	310,108	805	191,000	-49.8%	-38.4%
All Blacks		6,243	836,725	2,308	394,448	-63.0%	-52.9%
Latino	Low	534	59,424	420	55,472	-21.3%	-6.7%
Latino	Moderate	2,080	311,805	796	117,443	-61.7%	-62.3%
Latino	Middle	2,781	526,849	852	156,757	-69.4%	-70.2%
Latino	Upper	1,646	402,087	793	195,572	-51.8%	-51.4%
All Latinos		7,041	1,300,165	2,861	525,244	-59.4%	-59.6%

						Bank of America, Wells Faro, Citibank, JPMorgan Chase (including affiliates and subsidiaries)						
Ranking of Black or Latino Population (quintile groups)	Number of Tracts	TOTAL_POP 2000	Avg Pct Minority	Avg Pct Blk Ltn 2000	Owner Occ Units	All 09 Home Loans	All 09 Home Loan Amnt ($000s)	Prime Rate Loans 09	Prime Rate Loans Amnt	Prime Refi 09	2009 Prime Refi Loans / Owner-Occupied Housting Units	Prime Refi Amnt
Low Black Latino	585	2894235	6.53	0.0280	906699	36228	8861963	35786	8782827	31589	3.5%	7618596
Med-Low Black Latino	652	3337776	13.17	0.0717	959462	36247	7777436	35757	7702122	31337	3.3%	6680698
Med Black Latino	676	2989203	24.68	0.1806	745360	19721	4006966	19329	3958239	16439	2.2%	3343525
Med-High Black Latino	668	2767054	55.83	0.5115	522487	8809	1679331	8535	1650020	7030	1.3%	1344708
High Black Latino	690	2226977	93.21	0.9182	268983	1801	259199	1635	245175	1407	0.5%	208021

Appendix III
Profiting from Poverty: How Payday Lenders Strip Wealth from the Working Poor for Record Profits

PROFITING FROM POVERTY

How Payday Lenders Strip Wealth from the Working-Poor for Record Profits



A Report by National People's Action
January 2012

TABLE OF CONTENTS

I.	*Report Summary and Main Findings*	*Page 3*
II.	*Payday Loans: An Overview*	*Page 4*
III.	**Explosive Growth in Payday Lending**	*Page 7*
IV.	**The Annual Consumer Cost of Payday Lending**	*Page 13*
V.	*Policy Recommendations*	*Page 18*
VI.	*Report Methodology and Data*	*Page 19*

NATIONAL PEOPLE'S ACTION

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Author: Nicholas Bianchi

I. Report Summary

Despite recent regulatory crackdowns on payday lending in seven states, the payday loan business is flourishing in states with weaker consumer protections. In recent years the major payday lenders have achieved record profits from this form of high-cost, small-dollar loans targeting subprime borrowers. While much of the economy is credit-starved, the nation's major banks continue to provide the payday loan industry with capital to issue millions of usurious and predatory loans. The result is that every year billions of dollars are paid by the working-poor and other cash-strapped borrowers in excessive fees on payday loans. This report urges strong regulatory action by states and the newly empowered Consumer Financial Protection Bureau to reform the costly and financially irresponsible practices of the payday loan industry as it currently exists in 33 states.

Main Findings:

- The nation's largest payday loan companies have earned a record $1.5 Billion in combined annual revenues from high-cost payday loans.
- The nation's major banks including Bank of America, JPMorgan Chase, and Wells Fargo finance approximately 42% of the entire payday loan industry nationwide.
- State regulators report that payday loans cost borrowers a minimum of $3.4 Billion in fees annually.
- Every year an estimated $3.1 Billion in wealth is "stripped" from the pockets of needy borrowers directly into the coffers of the nation's payday lenders.
- The segment of the payday loan industry funded by the big banks results in a minimum of $1.5 Billion annually in wealth-stripping from excessive fees paid by payday loan borrowers nationwide.

II. Payday Loans: An Overview of Legalized Usury

Payday loans are short-term cash loans that average $350 borrowed for a two week term. The loan is repaid from a borrower's next paycheck or government benefit check[1]. To obtain a payday loan, the borrower gives the lender a postdated personal check or authorization to make a withdrawal from the borrower's bank account. In return, the borrower receives cash, minus the lender's fees. Typical loans fees range from $15 to $20 per $100 borrowed, or a $52 to $70 price tag for a single $350 loan. With short loan terms of less than one month, payday loans typically charge an annual percentage rate (APR) between 390% and 550%. These triple digit interest rates along with a business model that encourages repeat borrowing make payday loans one of the most expensive forms of consumer credit available.

Despite its explosive growth over the last 15 years, payday lending remains a niche financial product targeting subprime borrowers.[2] Many Americans with access to mainstream banking services and credit cards may never step foot into a payday loan shop. However, an estimated 25.6% of all American households representing 39 million adults are either "unbanked" (7.7% of all households) or "under-banked" (17.9% of households).[3] Also, significant racial and ethnic disparities exist in terms of access to mainstream financial services; 53% of African-Americans, 43% of Hispanics, and 44% of Native Americans are either unbanked or underbanked.

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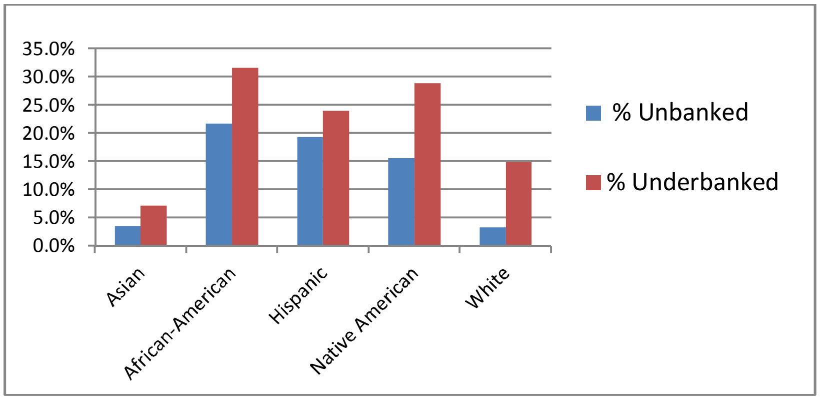
[1] Eligible sources of government income for a payday loan include U.S. Social Security, Disability Insurance (SSDI), and, in some cases, unemployment benefits.
[2] Many payday lenders offer cash advance loans as their sole product while others offer additional financial services, such as check-cashing services, pawn loans, and auto title loans targeting the unbanked, under-banked, or otherwise credit-impaired consumers.
[3] FDIC National Survey of Unbanked and Underbanked Households, 2009. The FDIC defines "underbanked" households as those that have a checking or savings account but rely on alternative financial services.

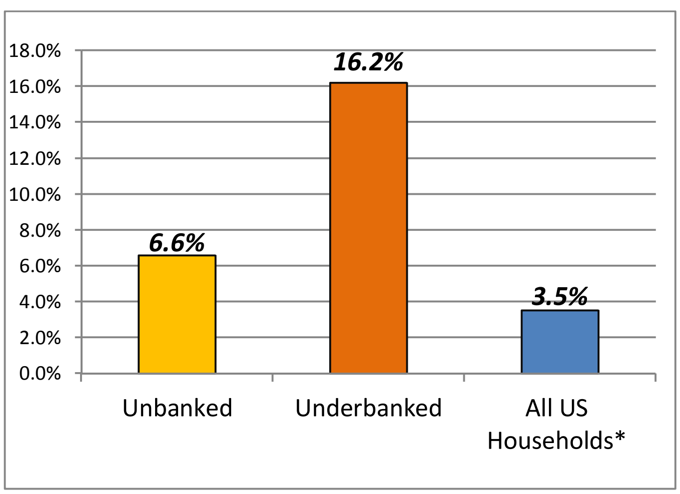
Percent of "Unbanked" and "Underbanked" Individuals by Race, Ethnicity



Source: FDIC, 2009

It is these unbanked and under-banked individuals, many of whom comprise the so-called "working poor," that are a target market for the payday loan industry. An estimated 16.2% of under-banked households have used payday loans and 6.6% of unbanked household have used a payday loan, compared with only 3.5% of all households.[4]

Percent of Households that Have Used Payday Loans



Source: FDIC, 2009

[4] FDIC, 2009.

Payday loan customers are predominately lower or moderate income. A 2007 survey of payday loan users found that 95% of borrowers had a household income below the national average. Furthermore, 75% of borrowers had an annual household income of less $50,000, and one third had a household income below $25,000. Only 9% of payday loan borrowers had a household income over $75,000.[5] Borrowers tend to be disproportionately female and research suggests single mothers make up a key segment of payday customers.[6] African-American or Latino customers also make up a disproportionate number of payday loan users[7]. While the industry denies targeting people of color, the reality is that payday loans stores are highly concentrated in African-American and Latino neighborhoods.[8]

The consumer appeal of the payday loan is primarily that it offers individuals who may be cut off from mainstream credit sources virtually immediate access to cash. However, this quick access to cash comes at a high financial price to borrowers. Rather than perform meaningful underwriting as do most other lenders, payday lenders instead only verify a source of income for repayment. To offset potential loan defaults, the payday loan industry's business strategy is to charge very high borrowing fees and to encourage repeat borrowing in order to maximize profits. While the payday loan industry advertises the product as a sensible choice for a one time emergency financial need, the reality is that the average borrower takes out 9 payday loans per year in quick succession. Only a small fraction of the 17 to 19 million payday loan borrowers take out one loan per year, while a majority of payday loan customers are in effect longer-term borrowers who pay triple-digit interest rates on repeat loans for months at a time.[9] An estimated 5% of all payday loans or 800,000 borrowers default on a payday loan every year and likely

[5] Elliehausen, Gregory. "An Analysis of Consumers' Use of Payday Loans", Board of Governors of the Federal Reserve System, Division of Research and Statistics, January 2009. The medium household income in 2007 was $52,670 (U.S. Census).

[6] Texas Appleseed,"Short-term Cash: Long-term Debt: The Impact of Unregulated Lending in Texas", April 2009. This survey of payday loan users in Texas cities found 59% of all borrowers were women and 40% of all borrowers were single women. . A 2007 national survey performed by Gregory Elliehausen found 23.3% of surveyed payday loan borrowers are unmarried with children, compared with 7.6% of all consumers being unmarried with children.

[7] Center for Responsible Lending, "Predatory Profiling", 2009. A survey of California borrowers found African-American and Latino payday loan borrowers made up 56% of all borrowers but only 31% of the total population. Also a survey of borrowers in Pima County Arizona found African-American, Latino, and Native American borrowers made up 60% of payday borrowers but 30% of the overall population. Texas Appleseed, "Short-term Cash: Long-term Debt",2009. A study in Texas found African-Americans using payday loans at twice the rate of Whites.

[8] National People's Action, "Credit Segregation: Concentrations of Predatory Lenders in Communities of Color ", February 2011.

[9] Center for Responsible Lending, Parrish, Leslie and Uriah King, "Phantom Demand: Short-term due dates generates need for repeat payday loans, accounting of 76% of total volume", July 2009. This study of payday loans in Florida and Oklahoma found only 2% of borrowers took out only one payday loan over a 12-month period.

end up in worse financial condition than before the taking out their loans.[10] Perhaps not surprisingly, payday loans have been found to contribute to the likelihood of bankruptcy.[11]

III. The Rise of Payday Lending and the Regulatory Response

Explosive Growth in Payday Lending: 1990's-2000's

The payday lending industry has experienced dramatic growth over the last two decades to reach an annual loan volume estimated at $40 Billion with over one hundred million payday loans issued every year.[12]

From the pawnshop to the loan shark, there have long been businesses catering to lending money at a high cost to the working poor. However, the growth of payday lending perhaps shares more in common with the now infamous subprime mortgage lending industry than with the neighborhood pawn shop. Like subprime mortgages, payday lending was virtually unheard of in the 1980's but emerged in a limited form as the declining real income of lower income workers created more American households dependent on credit to meet everyday expenses. By the mid 1990's more subprime finance businesses realized the profit potential of collecting an average of 20% on every dollar loaned out as a cash advance. The lure of inflated profits from credit-impaired borrowers eventually attracted the interest of Wall Street investors and the mainstream banks, whose deep-pockets financed the rapid nationwide growth of corporations specializing in high-cost cash advance loans.

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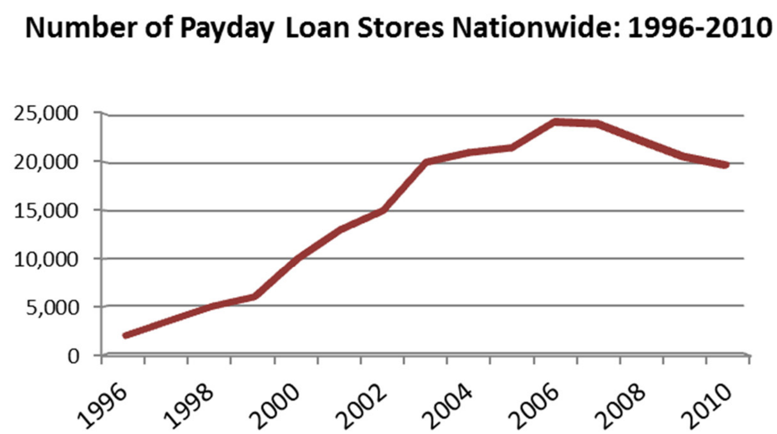
[10] Rivlin, Gary. Broke, USA: from Pawnshops to Poverty, Inc. HarperCollins, 2010. Rivlin estimates the default rate at 5% or one in twenty loans. Advance America reports a 3.3% charge-off rate as of December 2010, Source: SEC 10-K filing. If 5% of all payday loans default, this analysis assumes 5% of the total 17 Million borrowers, or 850,000 borrowers, will be in default annually. Because it is possible that a single payday loan borrower may default on multiple loans at, we discount the estimated total to 800,000 borrowers.

[11] Skiba, Paige and Jeremey Tobacman, "Do Payday Loans Cause Bankruptcy?" 2008.

[12] Stephens Inc, an investment firm specializing in subprime finance, estimates $29.3 Billion in total storefront payday lending and $10.8 Billion in internet payday lending in 2010. The estimate of the annual number of payday loans is based on an average loan amount of $350 per transaction.

The rise of payday lending was also enabled by a void in consumer protection laws and financial regulations. No federal regulation covered this new financial product. While ten states never authorized payday lending, most states' financial regulations did not specifically prohibit payday lending, and the industry quickly set up shop. In cases where state law limited payday lending, newly formed payday lending lobby groups poured millions of dollars to make the laws more accepting of this truly high-cost financial service.[13]

From an estimated 2,000 payday lender storefronts nationwide in 1996 to over 20,000 stores in 2003, in a mere seven years the retail presence of the industry increased tenfold. Stephens Inc., a leading subprime financial industry analyst, reports that storefront payday lending appears to have reached its peak around 2006-2007 with over 24,000 payday loan stores.



Source: Stephens, Inc.

States Crackdown on Legalized Usury: 2007-2011

The recent decline in the number of payday loan stores is largely due to some states prohibiting triple-digit interest rates on payday loans. Since 2007 there has been a significant trend toward increased

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[13] Rivlin, Gary. Broke, USA: from Pawnshops to Poverty, Inc. HarperCollins, 2010

regulatory pressure on payday lending in numerous states. Arizona, Arkansas, Colorado, Montana, New Hampshire, Ohio, and Oregon together were once home to over 3,400 payday loan shops issuing over $3 Billion in payday loans annually. Since 2007, these seven states have limited small-dollar loan interest rates between 17% and 45% APR, effectively ending or severely limiting payday lending.

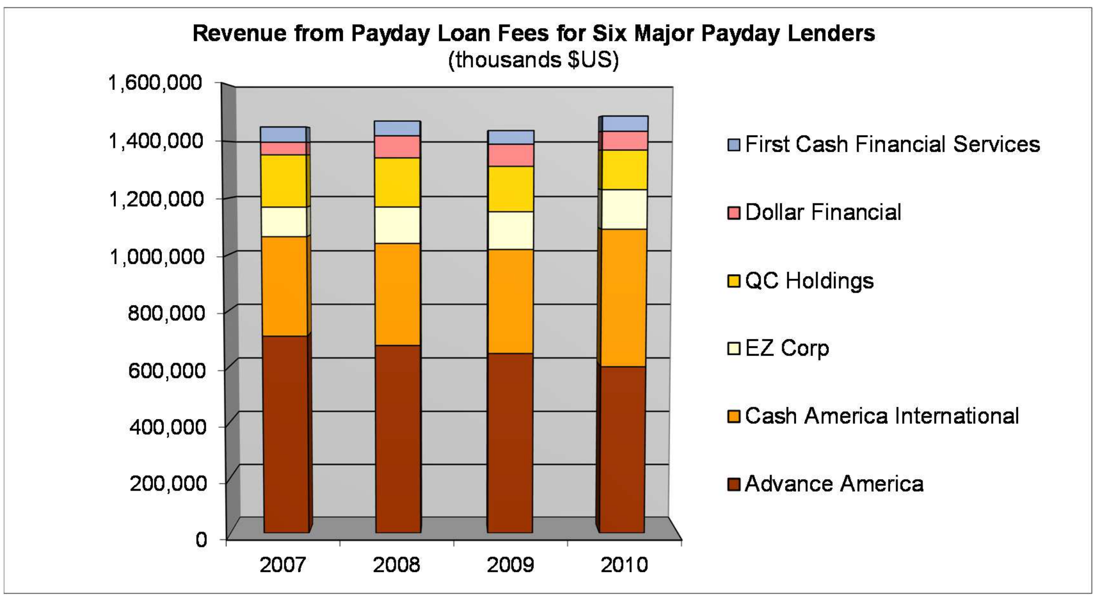
An industry estimate reports that in 2010 there were approximately 19,700 payday stores nationwide which issued $29.3 Billion in cash advance loans. Even with the recent reduction in payday lending stores, the industry is still widespread and pervasive in 33 states. While now limited to two thirds of the country, there are still more payday loan stores in the United States than McDonald's restaurants.[14] As the most recent data from the industry and state regulators show, the payday loan industry is thriving and highly profitable where it is allowed to operate. The states with the greatest concentration of payday lenders per capita (based on adult population) are: Mississippi, Alabama, Louisiana, South Dakota, Tennessee, and Missouri. Not surprisingly, these states have the most lenient regulations limiting the payday lending and their residents pay relatively more in payday lending fees compared with other areas of the country.[15]

While the payday loan industry includes both large and small businesses, the industry is dominated by 15 large corporations which together operate 9,750 payday loan stores or roughly half of the nation's payday lending stores.[16] Of these 15 major payday lenders, six are publicly-traded companies: Advance America, Cash America, Dollar Financial, EZ Corp, First Cash Financial, and QC Holdings. Collectively these six corporations at the end of 2010 operated an estimated 4,500 payday loan stores in 33 states nationwide, or approximately 23% of all payday loan stores nationwide. The six publicly-traded payday lenders are of particular interest as their performance collectively offers detailed insight into overall trends in the U.S. payday loan industry and the business practices of the industry's market leaders.

[14] There are a reported 18,750 McDonald's restaurants nationwide.
[15] See report methodology and notes on pages 19-21 for more details.
[16] See SEC.gov for annual 10-K filings for individual store counts, total payday industry total is based on a Stephens Inc. estimate of 19,700 total stores at year-end 2010.

Payday Lending Revenues During the Great Recession

Four years into the nation's economic crisis, annual revenues for the country's publicly-traded payday loan companies have risen to their highest level on record. Annual filings show that the nation's major payday lenders collectively earn more from their high-cost cash advances than before the financial crisis. From 2007 to 2010 their combined revenues from payday lending have increased 2.6%, or some $30 Million in annual revenues. Together the six largest finance companies offering payday loans (Advance America, Cash America, Dollar Financial, EZ Corp, First Cash Financial, QC Holdings) reported $1.48 Billion in revenues in 2010, up from $1.45 Billion in 2007.



The overall increase in revenues earned by the publicly-traded lenders occurred despite a small overall *decline* in the total volume of payday loans originated by these companies in recent years. From 2007 to 2010, the combined payday loan volume for these six major payday lenders decreased less than one percent (0.8%) over the course of recent financial crisis.[17] However, compared to other areas of

[17] For the six publicly-traded payday lending companies, their collective payday loan volume reached its high point in 2008 with $10.15 Billion in payday loan originations. The business trends do however vary among the individual companies: the nation's

consumer credit and in contrast to subprime mortgage lending[18], payday lending has largely maintained its overall market presence and profitability during the country's recent financial troubles –despite major regulatory crackdowns in several states. Although some of the recent decline may be attributed to economic conditions and rising unemployment, the primary reason for the declines in payday lending have been attributed to individual states' efforts to tighten payday lending regulations or imposing interest rate caps.[19] Regulation notwithstanding, the business of lending small dollar amounts to desperate borrowers at a high cost appears to be at least recession-resistant, if not recession proof.

Big Bank Funding of Payday Loan Industry Continues

Unlike some areas of the economy, the major payday lenders have continued to access hundreds of millions of dollars in credit lines from the nation's big banks, which in turn have been given virtually free and practically unlimited access to capital from the Federal Reserve Bank. As previous research has shown, virtually all of the major payday lenders, companies that comprise nearly half of the payday industry, receive their credit from the nation's largest banks, in particular: Wells Fargo, JPMorgan Chase, US Bank and Bank of America.[20] By investing in triple-digit payday lending, arguably the small-dollar financial product that carries the most cost and risk to consumers, the big banks willingly display a callous disregard for their own corporate promises to promote the financial well-being of "communities". As recently as December 2011, Wells Fargo, US Bank, and Bank of America together renewed their $300 Million line of credit to the biggest payday lender in the country: Advance America. The nation's largest payday lenders continue to borrow funds from the bailed-out, "Too-Big-To-Fail" banks at rates around 2.5% APR, which they in turn lend out as payday loans charging between 260% and 570% APR depending on the maximum allowed under state law.

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largest payday lender, Advance America, saw a 14% reduction is loan volume after exiting some states due to tighten regulations, Cash America on the other hand saw 36.8% growth in payday lending due in part to a focus on online payday lending.

[18] According to the Board of Governors of the Federal Reserve System, Americans' total credit card debt has declined by 15.8% and American's mortgage debt has decreased by some 7.4% between 2007 and 2011.

[19] SEC 10-K filings for Advance America. The publically traded payday lending companies all name regulation first in their list of potential threats to business activity.

[20] National People's Action and Public Accountability Initiative, "The Predators' Creditors: How the Biggest Banks Are Bankrolling the Payday Loan Industry", 2010.

A detailed examination of payday lending on the state level reveals that the big bank-funded payday lenders compose a significant proportion, and in some cases, the majority of the payday lending industry in a state.

Percentage of Payday Lenders Financed by Major National Banks:

Virginia, Iowa, Illinois, and Nevada

State	Number of Payday Loan Stores Licenced in State	% of Payday Loan Stores Funded by Big Banks
Virginia	276	57.9%
Iowa	220	47.3%
Illinois	564	41.5%
Nevada	430	30.9%
State Average		42.3%
Source: State regulators, SEC		

Based on a sample of states, the percentage of payday lenders that are funded by the nation's largest banks ranges from approximately 31% in Nevada to 58% in Virginia. Based on this four state sample, over 42% of all payday lending in a state on average is funded by Wells Fargo, JP Morgan Chase, Bank of America, US Bank or PNC Bank. This percentage of payday lenders funded by the big banks may increase as the publicly-traded and other large payday companies backed by the mainstream bank industry buy out the smaller "mom and pop" payday lending companies.

IV. The Annual Cost of Payday Lending: 3.5 Billion in High Fees for Small Dollar Loans

Every year the estimated 17 Million payday loan borrowers pay billions of dollars in fees as the price to access a relatively small cash advance on their next pay check. The most recent data provided by state regulators shows that payday loans cost borrowers no less than **$3.4 Billion per year in loan fee payments**. This figure is considered a conservative, baseline estimate as it is based on payday loan fee data reported by state regulatory agencies, which in turn is derived from the loan volumes self-reported by the payday loan industry.[21] In many cases, online payday loans and other lending activity may be unreported or underreported.[22] The $3.4 Billion cost estimate does not rule out that the actual price of payday loan fees may be considerably higher, as other studies have estimated the consumer cost of payday lending to be $4.5 Billion per year or more.[23]

The nearly three and half billion dollars in payday loan fees are paid in seemingly small but nonetheless costly finance charges by desperate borrowers every year. A borrower who only takes out one loan per year, which research shows represent only on average 15% of all payday loan customers[24], might pay approximately $55 in fees per year. However, the average payday borrower who takes out an estimated nine loans per year will pay an estimated $500 per year in loan fees - in addition to the original loan principal. The one third of payday loan borrowers that are heavily indebted and take out 12 or more loans per year[25] can pay $1,000 to $2,000 annually in payday loan fees.[26] With the average borrower's annual household income of $35,000, this means that over 5% of the entire annual income of a repeat payday loan borrower can be siphoned off as profits for the country's high-interest, small-dollar lenders.

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[21] In cases where a state does not report loan payday loan volumes, this report estimates loan volume based on the number of license store locations in the state. See Report Methodology on page 19 for more details.
[22] According to Stephens, Inc., one forth of the payday loan industry is now online.
[23] The Center for Responsible Lending has estimated the cost of payday fees at $4.5 Billion per year. Stephens Inc. has estimated revenues from both storefront and online payday lending at approximately $7.4 Billion.
[24] Center for Responsible Lending, "Payday Loans, Inc.: Short on Credit, Long on Debt", Uriah King, Leslie Parish, 2011. This study finds 15% of payday loan borrowers in Oklahoma payday took out only one loan during a two year period. Similarly, in the state of Florida, only 14% of payday borrowers took out one loan within a year. See "Florida Trends in Deferred Presentment", Veritec Solutions LLC, May 2010
[25] "Florida Trends in Deferred Presentment", Veritec Solutions LLC, May 2010. In Florida 32.4% of borrowers took out 12 or more loans from June 2009 to May 2010, accounting for 62.7% of all payday loans issued in the state.
[26] Rivlin, Gary. Broke, USA: from Pawnshops to Poverty, Inc. HarperCollins, 2010. p 32-33: Industry consultants advise payday lenders in marketing approaches to encourage repeat borrowing claiming that such loyal customers can pay from $2,000-$4,000 per year in fees.

Payday Lending Excessive Fees = $3.1 Billion in Wealth-Stripping from Financially-Troubled Borrowers

An estimated $3.1 Billion dollars of wealth is "stripped" every year from payday borrowers to pay high-cost cash advance fees. If a 36% annualized interest rate (APR) rate was enacted on small dollar loans in the 33 states with triple-digit interest rate payday lending, the current volume of storefront payday lending would generate an estimated $300 Million in loan fees annually. Compared to the actual amount paid annually in fees for high-cost payday lending ($3.4 Billion) borrowers nationwide ever year pay a minimum of $3.1 Billion more in fees than they would under a 36% interest rate cap scenario. This $3.1 Billion is real income "stripped" from millions financially-strapped borrowers and it represents a direct drain of wealth from low and moderate-income citizens into the profit margins of money lenders.

Annual Amount of Payday Loan Annual Fees and "Wealth-Stripping" by State[27]

State	Number of Licenced Payday Lenders (2011)	Payday Loan APR Charged	Annual Fees from Payday Loans	Estimated Wealth-Stripping from Fees
Alaska	32	520%	$6,618,225	$6,154,949
Alabama	1,067	455%	$238,102,472	$219,054,274
California	2,123	414%	$468,794,874	$425,040,685
Delaware	144	417%	$20,806,978	$18,986,367
Florida	1,450	281%	$270,963,000	$235,543,000
Iowa	220	301%	$40,966,843	$36,463,845
Hawaii	35	460%	$3,400,000	$3,132,600
Idaho	226	443%	$37,060,000	$34,465,800
Illinois	564	328%	$17,935,836	$16,307,026
Indiana	414	391%	$61,102,224	$54,521,984
Kansas	311	391%	$63,300,000	$57,392,000
Kentucky	579	459%	$108,897,100	$99,632,470
Louisiana	942	560%	$287,000,000	$266,910,000
Michigan	651	417%	$131,794,558	$118,693,358
Missouri	975	445%	$127,453,500	$116,990,309
Minnesota	100	196%	$14,166,667	$12,844,444
Mississippi	938	574%	$267,009,242	$250,017,745
North Dakota	69	502%	$7,365,784	$6,845,031
Nebraska	111	460%	$35,928,682	$33,361,882
Nevada	430	521%	$109,681,159	$102,003,478
New Mexico	215	346%	$4,493,921	$4,076,721
Oklahoma	356	358%	$51,645,580	$46,277,035
Rhode Island	25	260%	$1,660,000	$1,427,600
South Carolina	418*	390%	$62,640,000	$56,793,600
South Dakota	156	427%	$17,058,601	$14,274,927
Tennessee	1,205	380%	$186,051,972	$171,294,308
Texas	2,540	417%	$446,265,300	$407,088,457
Utah	270*	443%	$76,315,789	$70,015,789
Virginia	276	290%	$20,444,811	$18,058,511
Washington	244	390%	$65,116,761	$59,039,197
Wisconsin	436	574%	$96,800,000	$90,024,000
Wyoming	90	521%	$19,377,864	$18,021,414
US Totals	***17,630***		***$3,366,217,743***	***$3,070,752,807***

Sources: State Financial Regulatory Agencies, Center for Responsible Lending, Consumer Federation of America: 2008-2011

[27] See report methodology for details, pages 19- 21.

Major Bank Finance Payday Lending Responsible for $1.3 Billion in Wealth-Stripping

The nation's major banks provide the primary funding for no fewer than 11 of the 15 major payday lenders which in total comprise more than 40% of the payday lending industry.[28] The payday lenders funded by the major banks collect approximately more than $1.5 Billion in loan fees annually. Charging interest rates that average 390% APR, the big bank-funded segment of the industry generates $1.28 Billion in fees in excess of the amount that would be charged under a 36% interest rate cap scenario. This nearly $1.3 Billion represents a direct amount of income transferred from payday loan borrowers into the revenue columns of the money lenders, who admit they are the only option for these needy borrowers.

Big Bank Funded Payday Lenders

Major Payday Lender	Major Bank Funders			Number of Payday Stores
Ace Cash Express	Wells Fargo	General Electric Capital		1,200
Advance America Cash Advance	Bank of America	Wells Fargo	US Bank	2,313
American Payday Loans				21
Cash America International	Wells Fargo	JPMorgan Chase	US Bank	655
Check Into Cash	Wells Fargo			1,100
Check N' Go (Great Lakes Specialty Finance)	Wells Fargo			1,000
Dollar Financial Group Inc. / Money Mart	Wells Fargo			312
EZCorp Inc	Wells Fargo	US Bank		450
First Cash Financial Services (Cash & Go)	JP Morgan Chase	Wells Fargo		226
Money Tree	Bank of America			70
QC Holdings Inc.	US Bancorp			523
	Total Stores All Major Payday Lenders:			**7,849**

[28] Estimated by share of total U.S. store locations.

The Future of Payday Lending: Mainstream Banks and Online Lenders

It is likely that payday lending will face continued regulatory pressures. The usurious and too often predatory practices of the payday loan industry are increasingly questioned by state legislatures and their voters. Missouri, a state with one of the highest concentrations of payday lenders, will put the future of payday lending before voters with a 2012 ballot initiative seeking a 36% rate cap. The payday loan industry in turn will seek regulatory loopholes and may evolve away from a predominately storefront model.[29] Online payday lending will likely increase its market share and will take away more business from the storefront lenders.[30] Perhaps the most important development has been the entry of mainstream bank lenders into the payday loan market, with major banks including US Bank, Wells Fargo, and Fifth Third Bank offering comparable triple digit interest rate cash advance loans to their account holders. As this practice takes hold, banks that offer payday loans have the potential to reach millions of new borrowers regardless of any state regulations that limit storefront payday lenders.

A 36% Interest Rate Cap Would Mean a More Responsible Approach to Small Dollar Lending

When a 36% interest rate cap is imposed, as it has been in 17 states and the District of Columbia[31], the payday lending industry is dramatically altered. The current payday lending business model is dependent on high-cost, high-volume, repeat borrowing. Payday lenders typically cease operations in the state when significant interest rate limits on small loans become the law of the land. This report acknowledges that current payday loan volumes would not continue under a 36% interest rate cap scenario. A real need for small dollar credit exists - although not at the inflated level that current payday loan volumes would suggest[32]. As consumer advocates have argued and recent experience in states such as North Carolina have demonstrated, only when the usurious and predatory practices of payday lending are contained can more consumer-friendly small dollar loans alternatives be developed.

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[29] Therefore the number of payday stores may become a less important indicator of the size and scope of the payday loan industry.
[30] Stephens, Inc.
[31] The seventeen states with small-dollar loan rate caps range from a 17% annual interest rate maximum in Arkansas to a 60% annual interest rate limit in Georgia.
[32] Center for Responsible Lending, "Phantom Demand", 2009. A reduction in the demand for payday loans would likely occur as analysis has shown that approximately 76% of all payday loans are issued solely for the purpose of paying a previous payday loan. Observers of the industry have long pointed to practices that create demand by up-selling and encouraging repeat borrowing.

V. Policy Recommendations

Consumers, voters and state legislatures are in agreement that the current practices of the payday loan industry must be reined in. The real need for responsible small-dollar credit cannot be adequately addressed as long as usurious and predatory products continue to dominate the marketplace. The success of state laws in driving out predatory lenders and reducing the cost of small-dollar credit is an encouraging sign. However, the emergence of nationally chartered bank institutions entering the market of high-cost payday loans demonstrates the need for both strong state and federal efforts. National People's Action calls for:

1. States and localities to enact strict interest rate caps of 36% or less and to close licensing and other loopholes that allow payday predators to evade the law;

2. Banking regulators, chiefly the Office of the Comptroller of the Currency and the Federal Reserve Board, to clearly identify payday lending and other high cost short-term lending as fundamentally unsafe and unsound practices given the reputational risk to banks and their harm to the communities. Regulators should bar banks from investing and participating in these schemes outright;

3. The Consumer Financial Protection Bureau (CFPB) to use its research and reporting mandate to shed light on the entire small dollar loan industry's practices by implementing, collecting, and making public loan level data from all consumer credit transactions; and,

4. The CFPB to exercise its authority to regulate the industry by restricting the most abusive practices, including:

    - Place restrictions on fees and penalties that are implemented to evade state-level interest rate laws;
    - Disallow the use of Disability, Social Security or unemployment insurance checks as loan collateral;
    - Tightly restrict the number of loans allowed per household in a period of time to end loan 'churning';
    - Lengthen the minimum loan terms (60 days or more) and require equal loan payments with no balloon payments, and;
    - Require ability-to-pay and underwriting standards to all loans

All of the above measures will have a positive impact on families and communities, preserving wealth and incomes in areas hardest hit by hard economic times. However, it is clear that there is a need for a comprehensive solution that a 36% interest rate cap on all credit transactions can bring. Congress must stand up in the face of Wall Street lobbying and bring back the usury laws that served our country well in the past.

VI. Report Data and Methodology

The table below contains the data used for payday loan volume and fees estimates in this report.

Payday Loan Stores, Annual Loan Volumes, Estimated Fee Income, and Loan Average Rates Charged by States

	Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J
State	**Number of Licenced Payday Lenders (2011)**	**Annual Payday Loan Volume**	**Annual Fees from Payday Loans**	**Estimated Wealth-Stripping from Fees**	**Fee per $100 as %**	**Avg Loan Amount**	**Avg Fee Charged per Avg Loan**	**APR Charged** (Avg or Max)	**Reporting Year of Data**	**Loan Volume Data Source**
Alaska	32	$33,091,124	$6,618,225	$6,154,949	20.0%	$429	$85.73	520%	2010	State Regulator
Alabama	1,067	$1,360,585,555	$238,102,472	$219,054,274	17.5%	*$350*	$52.13	455%	2007	CRL
California	2,123	$3,125,299,157	$468,794,874	$425,040,685	15.0%	$258	$33.65	414%	2010	State Regulator
Delaware	144	$130,043,610	$20,806,978	$18,986,367	16.0%	*$350*	$56.00	417%	2008	CRL
Florida	1,450	$2,530,000,000	$270,963,000	$235,543,000	10.7%	$386	$41.26	281%	2009-2010	State Regulator / Veritec
Iowa	220	$321,642,690	$40,966,843	$36,463,845	12.7%	$348	$41.76	301%	2010	State Regulator
Hawaii	35	$19,100,000	$3,400,000	$3,132,600	17.7%	*$350*	$61.78	460%	2011	Online Search
Idaho	226	$185,300,000	$37,060,000	$34,465,800	20.0%	*$350*	$70.00	443%	2010	State Regulator
Illinois	564	$116,343,559	$17,935,836	$16,307,026	15.4%	$370	$57.02	328%	2008	State Regulator
Indiana	414	$470,017,105	$61,102,224	$54,521,984	13.0%	$315	$36.24	391%	2008	CRL
Kansas	311	$422,000,000	$63,300,000	$57,392,000	15.0%	$367	$47.82	391%	2009	State Regulator
Kentucky	579	$661,759,300	$108,897,100	$99,632,470	16.5%	$314	$51.61	459%	2010	State Regulator
Louisiana	942	$1,435,000,000	$287,000,000	$266,910,000	20.0%	*$350*	$58.33	560%	2008	Industry Estimate
Michigan	651	$935,800,000	$131,794,558	$118,693,358	13.3%	$402	$53.36	417%	2007	State Regulator
Missouri	975	$747,370,800	$127,453,500	$116,990,309	17.1%	$308	$52.45	445%	2010	State Regulator
Minnesota	100	$94,444,444	$14,166,667	$12,844,444	15.0%	$331	$49.65	196%	2008	CRL
Mississippi	938	$1,213,678,373	$267,009,242	$250,017,745	22.0%	*$350*	$77.00	574%	2008	CRL
North Dakota	69	$37,196,696	$7,365,784	$6,845,031	19.6%	$305	$59.91	502%	2009	State Regulator
Nebraska	111	$183,342,856	$35,928,682	$33,361,882	17.7%	*$350*	$52.50	460%	2009	State Regulator
Nevada	430	$548,405,797	$109,681,159	$102,003,478	20.0%	*$350*	$70.00	521%	2008	CRL
New Mexico	215	$29,800,000	$4,493,921	$4,076,721	15.1%	$373	$56.12	346%	2010	State Regulator
Oklahoma	356	$383,467,502	$51,645,580	$46,277,035	13.5%	$389	$52.09	358%	2010	State Regulator / Veritec
Rhode Island	25	$16,600,000	$1,660,000	$1,427,600	10.0%	*$350*	$35.00	260%	2008	CRL
South Carolina	418*	$417,600,000	$62,640,000	$56,793,600	15.0%	$241	$31.43	390%	2008	CRL
South Dakota	156	$198,833,898	$17,058,601	$14,274,927	15.0%	$300	$39.13	427%	2008	CRL
Tennessee	1,205	$1,054,118,820	$186,051,972	$171,294,308	17.7%	$202	$35.65	380%	2009	State Regulator / Veritec
Texas	2,540	$2,798,345,940	$446,265,300	$407,088,457	15.0%	$533	$85.00	417%	2010	Other Consumer Advocate / CRL
Utah	270*	$450,000,000	$76,315,789	$70,015,789	17.0%	$342	$58.00	443%	2008	CRL
Virginia	276	$170,450,000	$20,444,811	$18,058,511	12.0%	$371	$44.50	290%	2009	State Regulator / Veritec
Washington	244	$434,111,743	$65,116,761	$59,039,197	15.0%	$396	$51.65	390%	2010	State Regulator
Wisconsin	436	$484,000,000	$96,800,000	$90,024,000	20.0%	$416	$69.33	574%	2010	State Regulator
Wyoming	90	$96,889,320	$19,377,864	$18,021,414	20.0%	*$350*	$58.33	521%	2010	State Regulator
US Totals	***17,630***	***$21,104,638,290***	***$3,366,217,743***	***$3,070,752,807***						

Report methodology:

Column A reports the number of active or current licensed payday loan stores in each state as reported by the respective state financial regulatory department between November 2011 and January 2012. Overall, this report counted and/or estimated 17,630 payday loan stores nationwide, which may represent an undercounting of store locations by some 11% compared to an industry estimate of 19,700 store location at year end 2010. Every effort was made to identify only business offering payday loan companies as opposed to other businesses such as check cashers and auto title lenders. Also, every effort was made to report the total number of store locations, including internet payday lenders which were reported as one store per licensee in this report. However, due to the discrepancies of payday loan licensing from state to state, in some cases the number of payday loan stores reported here can be considered a best-available and conservative figure. For the state of Texas, the total number of payday loan stores is an estimate based on

75% of the total number of Credit Service Organizations (CSOs). Texas Secretary of State reported 3,386 CSOs as of Dec. 2012 and the consumer advocate organization Stop Payday Abuse estimates 75% of all CSOs in Texas are involved in payday lending. The number of businesses engaged in payday lending in Virginia is likely considerably higher than reported here as many businesses now operate as open-end lenders and are not readily disclosed. For the states of Hawaii and Rhode Island, the number of payday lenders was estimated by an online internet search.

Column B reports the total payday loan volume ($US) as either reported by the state regulatory agency or estimated based on the number of payday store locations. The annual loan volume or similar loan data, such as the annual number of payday loans and average loan size, was made available by the state regulator for 20 states and was included in this report. For 12 such states, this information was not readily available and this analysis instead relied on estimates of annual loan volume conducted by the Center for Responsible Lending (CRL) from 2008-2010 as reported online at:
http://www.responsiblelending.org/mortgage-lending/tools-resources/factsheets/
This analysis adjusted CRL's annual reported payday loan volume according to the observed percentage change in the number payday loan stores in a state. For example, if the number of payday loans stores reported in this report was 10% less than the number of stores reported previously by CRL (updated in 2010) then the annual loan volume was decreased by 10% and included in this report. For the state of Louisiana, this analysis relies on a 2008 annual estimate of $4.1 million payday loans issued, provided by a payday loan company executive.

Column C reports the estimated annual dollar amount of fees paid for payday loans in a state. In all cases when this figure was disclosed by a regulator or other sources it was reported and used in this analysis. In cases where this figure was not available, the amount of payday loan fees was estimated by multiplying the annual loan volume by the loan fee per $100 expressed a percent (Column B x Column E)

Column D is an entirely calculated column that includes the estimated amount charged by a hypothetical 36% APR limit on payday loans. This is derived by subtracting the estimated annual dollar amount of fees paid (Column C) by the amount obtained from multiplying the total annual payday loan volume (Column b) by 1.4%. This report calculates that a 36% APR $100 payday loan with an assumed 14 day loan term, would charge only approximately $1.40 in loans fees –hence a 1.4% fee per $100 borrowed.

Column E is the fee per $100 charged on a payday loan, expressed as a percent. This figure is reported or derived from state regulator data when available. In cases where regulator data was not readily available, this analysis relied both on the reported information made available by the Center for Responsible Lending (see link above) and by the National Consumer Federation (NCF), available online at:
http://www.paydayloaninfo.org/state-information

Column F is the average payday loan size including fees as reported by the state regulator. In cases where such information was not available, an average loan size of $350 was used in this analysis (denoted by *blue italics*).

Column G is the average payday loan fee charged per loan, based on the average loan size. In cases where such information was reported by a state regulator, it was included in this analysis. In all other cases it was either derived using the average loan APR and the average loan size (Columns F and H). Figures from the CRL and NCF were used extensively here (see websites above).

Column H is the average interest rate (APR) charge on a typical payday loan in the state. In cases where the average payday loan APR was reported by a state regulator, it was included in this analysis. In all other cases it was either derived using the average loan amount and finance fees per $100, or using the average or the maximum APR as reporting by CRL and NCF (see websites above). In some cases, the APR reported used here may not be the average payday loan rate but instead the maximum interest rate allowed. However, as the maximum payday loan interest rate is capped in many states, there is often little difference between the maximum APR and the average APR and such differences are not accounted for in this analysis.

Column I is the year of reporting data used for each state. In all cases, this analysis used the most recent data readily available with the 2010 data used for 12 states, and 2009 used for 5 states.

Column J is the source of loan volume and interest rate data. State regulator data was used whenever it was available.

Appendix IV

https://www.youtube.com/watch?v=YbYvTLlllRo

https://www.youtube.com/watch?v=uKMzQ2R3gxM

https://www.youtube.com/watch?v=VUNpuc0ZRks

https://www.youtube.com/watch?v=j8MPLQxREEg

https://www.youtube.com/watch?v=eGh2ri0G2xw

Appendix V

Executive Summary of Comments Authored by:
Center for Responsible Lending
Consumer Federation of America
National Consumer Law Center (on behalf of its low income clients)

Joined by:
Americans for Financial Reform
National Coalition for Asian Pacific American Community Development (CAPACD)
The Leadership Conference on Civil and Human Rights
League of United Latin American Citizens (LULAC)
NAACP
National Council of La Raza
People's Action Institute

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Comments to the Consumer Financial Protection Bureau
Proposed Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans
12 CFR Part 104, Docket No. CFPB-2016-0025, RIN 3170-AA40
October 7, 2016

1. INTRODUCTION AND EXECUTIVE SUMMARY

Arthur, a 69-year-old warehouse worker and grandfather of seven, started with a loan of $200 from Advance America. The loan eventually increased to $300. Every payday, rather than defaulting or coming up short on bill money, Arthur went into the Advance America store and paid a fee of $52.50 so Advance America would not deposit his check for the full loan amount. Advance America flipped the loan over a hundred times, until his total interest paid was an estimated $5,000. The clerks knew him by name and often had his paperwork ready for him when he came in.

Payday lenders have a name for consumers they see every payday: "26ers"—because they pay up every two weeks, 26 times a year. In Arthur's case, they saw him once a month rather than every two weeks, but only because his repayment came from his monthly Social Security check.[1]

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John lived paycheck to paycheck. In December 2013, he took out a car title installment loan with Loan Max for $1,715, requiring 12 monthly payments of $391 each, totaling $2,969 (243% APR). John struggled to make the first two payments and was struggling to make the third. Two months later, in February 2014, he took out a $700 payday installment loan from Check N Go to stay current on his car title loan. The payday loan required 11 biweekly payments of $110 each (247% APR). Of the first payment of $110, only $14 went toward the loan principal. John defaulted on that loan after one payment and was incurring substantial overdraft fees as the bank threatened to close his account. He has no hope of keeping up with his loan payments, much less escaping the debt trap. The extreme stress prevents him from sleeping, and he likely will be forced into bankruptcy.[2]

[1] Loan documents and notes from conversation with borrower on file with CRL.
[2] Loan documents and notes from conversation with borrower on file with CRL.

1.1. Introduction and Overview.

The Consumer Financial Protection Bureau's (CFPB or the Bureau) proposed rule to address payday, vehicle title, and other certain high-cost installment loans marks the culmination of over four years of extensive information gathering and data analysis by the Bureau. We thank and commend the Bureau for this work, which has resulted in a robust record of evidence that strongly supports taking regulatory action to address unfair and abusive practices in this market.

As the Bureau's proposal makes clear, the record supports a rule rooted in the fundamental principle that lenders should make a reasonable determination that a borrower has the ability to repay a loan before making it. But the record also supports a stronger rule in several critical respects; indeed, it provides ample evidence that stronger protections are necessary to prevent unfair and abusive practices.

Our recommendations are informed by five principal evidence-based concerns. Together, these concerns form the lens through which we view each proposed provision. The Bureau shares these concerns, and yet we fear that they are not consistently assigned the weight they warrant.

First, unaffordable payday and vehicle title loans severely harm the communities we represent. "Debt trap" has become a common way to describe these products, and appropriately so. Yet the label's prevalence must not desensitize us to the profound pain—financial, psychological, emotional—that a debt trap inflicts upon one stuck in its grip. This harm can pervade *every aspect* of a person's finances, *every facet* of a person's life. Often, the person's family members experience the harm, too. The debt trap, in the words of those who have been there, is a "living hell."[3]

Second, these markets are driven by unique and powerful misaligned incentives between the borrower and the lender. The Bureau's comprehensive presentation of its extensive findings leaves no doubt that payday and vehicle title lenders routinely disregard a borrower's ability to repay because the combination of the loan's high cost and the lender's ability to extract or coerce repayment establishes the incentive to make unaffordable loans. Because the Bureau cannot generally address cost and does not propose prohibiting the extraordinary leverage these lenders have, the rule will not fundamentally alter that perverse incentive. So the substantive restrictions must be strong enough to protect borrowers despite that incentive.

Third, any visible sign of borrower distress is strong evidence that a loan is unaffordable, due to three circumstances combined: (1) the lender's ability to extract repayment; (2) the typical timing of the payment to coincide with the borrower's payday, ahead of the borrower's other obligations and expenses and when a borrower's funds are likely at their *highest*; and (3) the significant chance that the bank will pay the transaction, through overdraft, despite nonsufficient funds. Together, these mean that repayment does not mean affordability, and that a single sign of distress on a loan, like a bounced or late payment, is very often evidence of unaffordability. The Bureau recognizes these realities to varying degrees throughout the proposal, but several of its most critical proposed provisions are not fully consistent with them.

[3] See, e.g., Williams, Diane S. "Getting Out of the Debt: Part 2 of a series." Public Employee Press, District Council 37. (Quoting a payday loan borrower who asked not to be identified.) http://www.dc37.net/news/pep/3_2012/420_payday_loan.html. Additional examples on file with CRL.

Fourth, lenders are shifting both their short-term loan practices and their short-term loan borrowers to longer-term loans. Short-term borrowers are typically more financially distressed than today's longer-term borrowers. This shift means that tomorrow's longer-term loans carry even greater risk of harm than today's longer-term loans do, warranting more protective rules in that market than the Bureau has proposed.

Fifth, as the Bureau also finds, payday and vehicle title lenders have proven themselves, time and again, shrewd evaders of law and regulation.[4] The only rational expectation is that these lenders will aim to respond to this rule no differently, and indeed there is already evidence to support this expectation. Thus, the proposal must do more to anticipate and prevent predictable evasions. Lenders may object to the complexity of the rule. But attention to detail and to possible evasions is necessary to provide clarity as to what is expected and what is not permitted in an industry that cannot be expected to comply with the spirit of the rule.

Finally, many states do not permit high-cost payday or vehicle title loans at all, enforcing comprehensive state interest rate limits. The CFPB recognizes in its proposal that these interest rate limits, which the Bureau lacks the authority to establish, provide stronger protections than the protections provided by the proposed rule. The Bureau must take great care to avoid putting those strong state laws at risk, even as it seeks to curb abusive and unfair practices in states with little or no protection in place.

With this backdrop, we highlight our highest-priority recommendations, with more detail provided in the remainder of this executive summary:

- **Broader coverage of these high-risk loans, without exclusions or exceptions that lenders will game.** All high-cost loans with leveraged payment mechanisms or other security that coerces repayment should be included. An ability-to-repay determination should be required for all covered loans. Exceptions such as those for credit cards and student loans should be eliminated or narrowed.

- **A meaningful ability-to-repay standard that measures a borrower's actual ability to repay the loan without reborrowing while meeting other expenses.** Lender discretion must be reduced. Loans longer than six months must have an especially robust cushion for income and expense volatility. Any lender with portfolio-wide defaults over 10% should be more highly scrutinized, and high rates of delinquencies or reborrowing should not be tolerated even if they are similar to those of other high-cost lenders.

- **Effective restrictions to prevent flipping of short- or longer-term loans and perpetuation of debt traps.** Borrowers need at least 60 days to recover from the impact of a balloon payment, not just 30. *All* "short"-term loans should be limited to 90 days of indebtedness per year. Each advance on a short-term open-end loan should be treated as a new loan. For longer-term loans, much stronger rules are needed to prevent strings of unaffordable refinancings. A presumption of inability to repay should apply to refinancings before the consumer has made substantial progress in repaying the existing loan (i.e., 75% of principal) and if, in the previous 90 days, the

[4] An exception is a fee-inclusive interest rate limit of around 36%, which lenders have not been able to evade, but which the Bureau lacks the statutory authority to establish.

borrower was late, had a failed payment transfer, expressed inability to pay any key expense, if the lender's payment authorization was revoked, or if the credit report shows new delinquencies since the prior loan. Exceptions to the presumption of inability to repay should be removed for loans with smaller payments and for loans with a lower APR, unless the total dollars due on all new payments is lower than the remaining payments on the original loan.

- **Stronger protections against the collateral consequences of unaffordable loans**. Payment authorization should be revoked after a single failed transfer. If the requirement of two consecutive failures is retained, failures in two consecutive months should trigger the revocation, regardless of intervening payments collected, as should any three failures in any 12-month period.

- **More support to protect consumers from illegal loans.** The CFPB should provide that making or collecting a loan that exceeds state usury rates is an unfair, deceptive and abusive practice. A payment authorization taken for an illegal loan should be viewed as unauthorized under Regulation E, and any attempt to collect such a payment should be deemed an abusive debt collection practice.

1.2. Summary of Recommendations.

1.2.1. The Scope of the Rule is Appropriately Broad But Should Be Broader.

The scope of the rule is essential to its success. Payday lenders have proven themselves adept at evading the scope of rules designed to cover them. The proposed scope is strong in that it applies to high-cost payday and car title loans regardless of how large they are or how long their stated term is, and it applies regardless of a lender's status as a government-insured depository institution or a tribe. But in other respects, the scope of the rule is significantly narrower than the evidence suggests it should be, and we urge the Bureau to broaden it accordingly. We make the following recommendations:

- The scope appropriately applies regardless of loan term, size, or issuer.
- Vehicle title loan coverage should not depend on whether the title is a "condition" of the loan.
- *All* high-cost loans with leveraged payment mechanisms or vehicle titles should be included. Lenders will game a rule limiting coverage to mechanisms obtained within 72-hours. Alternatively, the rules should apply to any lender that has obtained a leveraged payment mechanism from at least 25% of its borrowers.
- The 36% fee-inclusive APR must include all ancillary products, and regardless of when their cost is incurred.
- The term "leveraged payment mechanism" should be defined more broadly:
  - Payroll deduction loans should be included whether the payroll deduction is "voluntary" or not.
  - Loans where the lender retains the right to garnish wages should be covered.
  - We agree that coverage should not be limited to repayment tied to payday.
- Certain proposed exclusions from scope should be eliminated or narrowed to prevent foreseeable evasion:
  - The exclusion for credit cards should be eliminated or narrowed to lower-cost mainstream credit cards, consistent with the MLA approach.
  - The exclusion for pawn loans should be narrowed.

    - The exclusion for overdraft lines of credit should be eliminated or narrowed.
    - The exclusion for student loans should be eliminated.
- High-cost loans secured by personal property should be covered, consistent with the long-standing FTC Credit Practices Rule.
- In addition, any high-cost loan should carry an ability-to-repay requirement.

1.2.2. The Ability-to-Repay Determination Requirements Must Be Significantly Strengthened.

The Bureau has proposed (with some exceptions) that lenders be required to make a "reasonable determination" of the borrower's ability-to-repay before making a covered loan based on the borrower's income and expenses. We strongly support this residual income approach as most appropriate for the typically lower-income, financially distressed borrower. But we fear that the details of the test leave substantial risk of unreasonable ability-to-repay determinations passing as reasonable.

We evaluate the proposed ability-to-repay test in light of three key factors, among others: (1) virtually every loan covered by this rule is a high-risk loan with extraordinary potential to inflict substantial harm on consumers; (2) lenders lack the incentive to determine ability-to-repay in light of a borrower's other obligations and expenses, given that their super-lien position and high costs will persist under the rule; and (3) many covered lenders have always relentlessly trapped borrowers in unaffordable debt and evaded laws designed to stop them from doing so.

Put another way, the evidence strongly supports that the rule should approach lenders' interest in making genuinely affordable loans, which allow borrowers to meet other obligations and expenses, with great caution. Covered lenders cannot be given the discretion or flexibility that might be appropriate in other regulations.

Relatedly, we expect that lenders will routinely manipulate any provision permitting reliance on borrower self-certification or borrower statements in their efforts to make unaffordable loans. So we oppose, under any circumstances, permitting **borrower certifications** or statements to result in projections of higher income, or lower obligations or expenses, than reliable third-party evidence supports. With that context, our recommendations follow.

We strongly support the requirement that income and major financial obligations be verified using verification evidence. Departures from verification evidence that result in higher income or lower obligations should not be permitted except, in very rare circumstances, with other reliable third-party evidence—not consumer statements. Major financial obligations should generally include payments due on **delinquent debt** that appears on the credit report or registered information system (RIS) unless there has been no activity for at least **365 days**. Claims that a consumer has only a partial responsibility for **joint obligations,** other than for rental housing, should be permitted **only with verification evidence**.

With respect to rental housing:

- Rental housing should generally be required to be verified using **verification evidence**. In the limited circumstances when verification evidence is not available, the greater of a **reliable locality-based proxy** or borrower statement should be used.
- To assume **shared housing,** lenders must obtain verification evidence or other reliable third-party evidence of the shared arrangement. In addition, supervision guardrails should be

established to protect against an unreasonable volume of shared housing in a lender's portfolio.
- At the very least, on any loan where there is a **presumption of inability to repay, and on a second refinance** of a longer-term loan, verification evidence of rental housing should be required in every case. Shared housing in these scenarios should be the greater of that indicated by reliable third-party evidence or a reliable locality-based estimate.

Basic living expenses should not be defined narrowly and unrealistically as only those that are deemed strictly **"necessary**," a term lenders will exploit. Instead, basic living expenses should include all **"typical expenses"** based on income, location, and household size. The examples of "reasonable methods" for projecting basic living expenses should be strengthened:

- With respect to a statistical survey approach, use of a **well-researched government survey** is the preferable approach**.**
- Analysis of **checking account activity** should be included more explicitly as a "reasonable method" **and encouraged.**
- Projections based on statistical data other than government data or based on **"other reliable methods"** should be subject to heightened scrutiny. The method must actually predict expenses, not just collection success.

The examples of "unreasonable methods" of predicting basic living expenses must be strengthened. They must not:

- set the bar too low;
- suggest that a flat percentage of income approach is appropriate no matter how low the family's income or how large the household; or
- provide that the reasonableness of an expense projection can be determined by comparing loan performance to that of similar lenders making loans to similarly situated consumers.

More specificity should be added on the requirement to consider information known to the lender, including a duty to consider:

- Information on the **credit report and registered information system (RIS)** reflecting delinquencies or defaults on covered loans, other forms of credit or debt obligations, or basic living expenses within the past year.
- **A pattern of reborrowing** is information known to the lender that should require consideration.

Short-term open-end loans are virtually always evasion products and should be regulated as such. Each advance on a short-term open-end loan should be treated as a new loan subject to its own ability-to-repay determination.

In addition, all high-cost loans should carry an ability-to-repay requirement.

1.2.3. Reasonable Ability-to-Repay Determinations Require Objectively Low Defaults, Delinquencies and Reborrowing.

We strongly support the Bureau's emphasis that a reasonable ability-to-repay determination must be evaluated not only by looking at the lender's front-end determination but also by looking at back-end performance metrics for the lender's portfolio. As the Bureau notes, the aim of this rule is not just "procedural" requirements but success at achieving ability to repay.

The rule should require that lenders design their products, policies, and practices so that the vast majority of a lender's borrowers **actually, in practice, are able to repay** their loans while meeting other expenses without reborrowing. The elements of "while meeting other expenses" and "without reborrowing" should be incorporated more explicitly in the rule.

The success of an ability-to-repay determination should be measured **objectively**, not relative to the performance of other high-cost lenders. It should also be assessed using a number of metrics that indicate high numbers of struggling borrowers.

First, the CFPB should scrutinize closely any lender that has **default rates above a threshold rate**; we **recommend 10%**. The standard should be 5% or even lower for auto title loans and payroll deduction loans, which have extraordinarily little incentive to determine ability-to-repay and inflict especially severe harm upon default.

Second, if a lender's default rates exceed those levels—and even if they do not—the CFPB should consider a variety of factors to assess whether the lender is failing to make reasonable determinations of ability-to-repay. These factors include:

- Rates of late payments and delinquencies;
- Failed payments;
- Reborrowing;
- Loans requiring large payments relative to income; and
- The extent to which the lender achieves repayment only due to aggressive debt collection practices.

Both the level of unaffordable loans and the harm from those loans, should be factors in assessing whether the lender is engaging in unfair, deceptive or abusive practices. Harm includes the cost of unaffordable loans that consumers are burdened with and also the impact of particular debt collection practices.

1.2.4. Proposed Anti-Flipping Requirements Could Still Permit Harmful Long-Term Indebtedness in Short-Term Loans.

The proposed rule would permit lenders to continue putting borrowers into a more than ten "short-term" loans in a 12-month period, without ever triggering a presumption of inability to repay. That is a red flag about the weaknesses of the proposal. This is largely due to two significant shortcomings addressing repeat lending: (1) the lack of a limit on the cumulative days of annual indebtedness; and (2) the use of only 30 days as the relevant time period to determine what constitutes a renewal/reborrowing/refinance after a short or balloon-payment loan.

***All* short-term loans should be limited to 90 days' indebtedness and six loans in a 12-month period.** The rule recognizes that an upfront ability-to-repay determination is not sufficient to ensure that borrowers do not get stuck in unaffordable loans; thus, it establishes the presumptions framework as well as a hard cooling-off period after three consecutive loans. While we support this approach generally, payday and vehicle title lenders' rich history of debt trap lending and of evading efforts to stop it warrant a fixed outside limit. A 90-day limit has longstanding precedent in FDIC guidelines. A limit of six loans has precedent in the FDIC and OCC's bank payday lending guidance as well as in some state laws. This is a necessary and well-founded protection, with more evidence in favor of including it than excluding it.

Loan sequences should encompass loans made within 60 days of a prior loan, not 30. With a 30-day time period, the Bureau aims to capture a typical expense cycle. But as the evidence we present shows, payday and vehicle title borrowers are likely to have expense cycles significantly longer than 30 days and to need longer than 30 days to recover from the impact of a short or balloon-payment loan. Thus, a 30-day period puts them at significant risk of receiving unaffordable loans on a repeat basis. While most reborrowing today happens in less than 30 days, that is only because it is permitted under today's rules. If the presumption of unaffordability expires after 30 days, lenders will encourage reborrowing at the 31+ day mark, consistent with how they have historically treated cooling-off periods at the state level.

We strongly support loan flipping rules not only for short-term loans but also for longer-term balloon payment loans. But the **definition of balloon payment** should include any payment more than **10% greater** than any other payment, **instead of 200% greater.** We expect this provision as drafted will be evaded. This definition is rooted in mortgage precedent, but state consumer installment laws are the more appropriate precedent, and they support a far broader definition.

In addition, to guard against short-term loan flipping:

- The exception from a presumption of unaffordability for a loan with **smaller payments** should be **eliminated.**
- The duty to consider the impact of **"outstanding loans"** should be expanded to trigger a presumption of unaffordability for defaults in the past 365 days (not 180), and lenders should be prohibited from making a loan if their own loan to the borrower is in default (i.e., +120 days delinquent).
- The presumption of unaffordability should be rebuttable only with **verification evidence.**
- The **prohibition after consecutive loans** should (1) apply after the second consecutive loan, rather than the third; (2) be extended from 30 to 90 days; and (3) apply to any combination of balloon-payment loans whether short-term or longer-term.
- The prohibition after a short-term exemption loan should be extended to **60 days.**
- The proposed **bridge loan requirements** should include all non-covered loans and should reset, rather than toll, the presumption period.
- The rule must close a large loophole that permits flipping through a **short-term open-end line of credit.** Any advance that must be substantially repaid in full within 45 days should be treated as a new loan subject to short-term closed-end flipping rules.

1.2.5. An Exemption from Ability-to-Repay for Any Covered Short-term Loans Will Permit Substantial Harm.

We categorically oppose the exemption from an ability-to-repay requirement for certain short-term loans. There is ample precedent for finding that lending without regard to ability-to-repay is abusive and unfair. Yet we are aware of no precedent for exemptions from that standard similar to those the Bureau has proposed, particularly with respect to short-term loans.

If a loan has a cost of $15 per $100, the exemption would permit three consecutive bi-weekly payments averaging $217 each; at a price $25 per $100, the payments would average $250. All the data on short-term payday loans of which we are aware **strongly suggest that these payments will typically be unaffordable**. These data include several studies and analyses, including the Bureau's online payments study, finding that relatively smaller payments are often unaffordable for payday borrowers.

In addition, the Bureau's offered justification for this exemption is unpersuasive in light of other findings central to the rule as a whole. For example, the Bureau generally shows clear appreciation for the difficulty significant payments in short order may pose. It also acknowledges the harm caused by even a relatively short series of short-term loans.

Moreover, the suggestion that, even without an ability-to-repay requirement, lenders will have incentive to screen out borrowers without the ability-to-repay is unconvincing. So long as lenders can collect on payday, borrowers' true ability to repay is not of interest to high-cost lenders.

We support that this exemption has not been provided for vehicle title loans, while noting that the most logical conclusion drawn from the Bureau's rationale for why it has excluded vehicle title loans from the exemption is that there should be no exemption for any loans at all.

The following elements of the exemption make it particularly harmful:

- The first loan in a series as high as $500;
- A loan sequence/reborrowing construct that permits excessive unaffordable lending:
    - Permitting six $500 loans in 12 months if lenders game the insufficient 30-day reset period. A stepdown on every loan within 12 months would be most appropriate.
    - The insufficient 30-day period between a covered (short- or longer-term) balloon loan with an ability-to-repay requirement and a short-term exemption loan;
    - Permitting two series of three consecutive unaffordable loans is particularly unwarranted.
    - A limit of six loans and 90 days is too high, particularly considering it permits additional short-term covered loans outside the exemption.
- The lack of an income verification requirement encourages lax lending and will prevent the Bureau from having supervisory data it should have to analyze lending under the exemption.

1.2.6. Longer-Term Loans Warrant Enhanced Underwriting.

High-cost longer-term loans pose particularly high risk of harm to consumers, including particularly high risk of inability to repay. Longer-term loans are not only longer by definition; they are likely to be even longer than the sequences of short-term loans. Longer-term loans are also likely to be much larger. The larger size combined with the longer term make the costs and potential harm much higher. The longer term also increases the risks of both default and collateral harms.

In some ways, the Bureau clearly recognizes these risks, but we fear that in others the proposal does not sufficiently account for them. Particularly concerning are the Bureau's statements that payday lenders can simply move borrowers into longer-term high-cost loans (as permitted by state law) with smaller, purportedly more affordable payments. These statements risk understating the difficulty many borrowers will have *sustaining* payments—even smaller ones—over time. Stronger substantive provisions must more fully recognize that challenge.

Lenders are already shifting to longer-term loans and are pushing for state legislative authorizations for longer-term high-cost loans. In addition, we discuss that evidence suggests that tomorrow's longer-term market will look more like the short-term market than it does today. Short-term covered loan borrowers are even more distressed than longer-term borrowers, and they are the longer-term borrowers of tomorrow.

The harm of longer-term loans must be addressed both with an appropriate ability-to-repay determination and, as addressed in the following section, adequate protections against refinancings that mask inability to repay. Our recommendations on the ability-to-repay determination are discussed below; we discuss refinancings in the following section.

We strongly support requiring a cushion to account for the significant income and expense volatility that should be expected over the course of a longer-term loan. But we urge the following to make the requirement more meaningful:

- Provide that the **"term of the loan"** for determining a cushion includes the actual loan term and the anticipated period by which **refinancings will extend** the original term.
- Require lenders to consider not only volatility experienced by similarly situated consumers, but also other clear indicators of volatility for the particular borrower, including **a credit report showing delinquencies** within the past year.
- Prohibit a cushion of zero and require consideration of seasonal fluctuations.
- For loans longer than six months:
    - Require a cushion based on a **lookback the length of the loan term.**
    - In the alternative, require an additional income **cushion of at least 25%**, a common measure of income volatility.
- When verifying income and major financial obligations, require a **lookback the length of the loan term.**
- Longer-term **balloon loans s**hould be required to be underwritten for **60 days following the last payment**, not 30 days.
- For **open-end lines of credit:**
    - Require **a new determination** before **increasing** a line of credit, and also after 180 days, as proposed.
    - Require lenders to **assume that an indefinite line of credit will be repaid in full within 180 days**, as proposed.
    - View certain new advances as a refinancing (discussed below).

1.2.7. Restrictions on Refinancing Longer-Term Loans Are Far Too Weak.

The debt trap caused by unaffordable longer-term loans gets deeper and longer yet when loans are refinanced. Yet the proposed rule's approach to refinancings of longer-term loans is one of the weakest parts of the proposal. Without strengthening, it is likely to permit serial refinancings of these loans that compound and mask the borrower's inability to afford the loan. Weak treatment of refinancings also seriously undermines the rule that lenders must ensure that borrowers have enough residual income to cover basic expenses, and to weather non-catastrophic income dips and expense shocks over the course of the loan, without reborrowing.

Proposed section 1041.10 imposes a presumption on inability to repay in certain reborrowing scenarios and sets the standards for rebutting that presumption. Making a new longer-term loan is prohibited within 30 days of a short-term exemption loan, a provision we strongly support.

The standards in this section are critical to the success of the rule and to compliance with a meaningful ability-to-repay standard. Even if a loan is required to be underwritten based on the highest payment, weaknesses and uncertainties in the ability-to-repay standard may result in unaffordable loans. Refinancing of longer-term loans can mask inability to repay and cause consumer harm just as it can for short-term loans. Consequently, we support the additional protections set forth in this section.

In general, the presumptions for new loans made within 30 days of an underwritten balloon-payment loan are appropriate. However, the presumption period should run 60 days to better capture a typical expense cycle for financially distressed borrowers and to better enable consumers to recover from a balloon payment. A 60-day period is especially critical when a lender is moving a consumer from a balloon-payment loan to a longer-term loan, where there are **fewer limits** on bait-and-switch to **long-term debt**. In addition, we strongly oppose the proposed exemption that would permit a new loan immediately following a balloon loan, without a presumption, if the new loan has substantially **smaller payments, unless it also has lower total dollar costs**. That will encourage weak underwriting of balloon loans and bait-and-switch tactics to move consumers from shorter balloon loans to longer high-cost installment loans.

For non-balloon loans, the refinancing rules need much more substantial strengthening. The scope of the provision should be broadened to apply:

- When the **previous loan was repaid early (in the prior 30 days**), even if it is no longer "outstanding." Otherwise lenders will evade the rules by having borrowers pay off their old loans first and then immediately reborrow, the same or next day.
- **To new lenders,** not just the same lender, when indicia of unaffordability are detectable. If the consumer is delinquent on the prior loan, has had recent bounced payments, or has said she cannot afford the prior loan, the identity of the new lender should not affect whether a presumption of unaffordability should apply.
- To longer-term exemption lenders under § 1041.12 refinancing their **own unaffordable loan.** These loans may be quite large with large fees, and lenders may have an incentive to push refinancing to stay within the 5% default rate limit necessary to qualify for the exemption.

Lenders should be prohibited from refinancing their own delinquent loans, even after 180 days. Otherwise, they can use the debt collection process to push new loans and obtain a new payment authorization.

A broader range of circumstances should trigger the presumption of inability to repay:

- Lenders should be required to look for indicia of unaffordability in the **prior 90 days,** not merely 30. The leveraged payment mechanism will disguise unaffordability in many months, and a recent history of bounced or delinquent payments shows a struggling consumer.
- **A loan that is even one day late in the past 30 days, or more than seven days late in the past 90 days**. Lenders may contact borrowers and push refinancing before day eight to disguise inability to repay.
- **A failed payment transfer** (including failed payroll deductions)**.** A bounced payment is a strong sign of unaffordability.

- Payments **not initiated due to nonsufficient funds**. With new technologies or by taking bank account login information, lenders may learn the consumer does not have enough money to make a payment even if the payment does not bounce.
- **Revocation of payment authorizations**, unless the consumer has since made an on-time payment. The revocation may be triggered by payment failures, and consumers also revoke payment authorizations when they cannot afford the payment.
- An expression of inability to meet **major financial obligations or basic living expenses**, not just the loan payment. Money is fungible, and the ability to repay standard applies to all obligations and expenses, not just the loan payment.
- Reborrowing **before making substantial progress in repaying the loan (i.e., repaying 75% of principal),** not merely receiving a small amount of cash-out. Enforcement of and compliance with a true ability-to-repay without reborrowing test is undermined when borrowers need more cash early in the loan term. Lenders are able to exploit that need and to extend the debt trap. A cash-out standard also pushes larger loans, a phenomenon that can already be seen in the CFPB's data.
- **New delinquencies on the credit report.** If new negative information shows that the consumer has not been able to make payments on major financial obligations or basic living expenses since the outstanding loan was taken out, that is powerful evidence of inability to repay.

When indicia of unaffordability are present, there should be **no exception to the presumption** for:

- **Loans with smaller payments.** Smaller payments on the new loan do not change the unaffordability of the previous loan, and permitting lenders to refinance their own unaffordable loans will encourage bait and switch.
- **Loans with a lower APR**, unless the total **dollar amount** of new payments is lower than those remaining. Bigger and longer loans frequently have lower APRs than shorter loans, but if a consumer cannot afford a 300% loan, that does not make a 150% loan affordable.

The term "improvement in financial capacity" should be defined to mean only an improvement in net income or major financial obligations as defined in the ability-to-repay rules. That appears to be the CFPB's intention, but the rule is not clear.

Lenders should not be permitted to use *any* type of non-covered loan as a bridge loan. Permitting any loan to bridge the 30-day cooling off or presumption period will undermine it. Lenders could use balloon loans with no payment mechanism or loans secured by a mobile phone and rely on aggressive debt collection to bring borrowers back. Bridge loans should also **completely restart, not just toll**, the 30-day period.

Only one refinancing should be permitted. There should be a prohibition on a second refinancing. Where permitted, refinancing, particularly early in the loan term, should be an occasional exception to a standard of ability to repay without reborrowing, not a routine pattern of loan flipping that compounds costs extends the debt trap of unaffordable loans secured by leveraged payment mechanisms or vehicle titles.

Open-end credit needs more protection:

- **Increases in credit lines should be viewed as a refinancing** subject to the presumption of inability to repay after a balloon payment or if indicia of unaffordability are present. An increased credit line is just like a new loan.

- In addition, **new advances** on an existing credit line should also be viewed **as refinancings and be subject to the presumption (and a potential freeze on the credit line), if indicia are present showing that the credit line is proving unaffordable.** Especially, but not only, during the periodic review of ability-to-repay, delinquencies, bounced payments, and other indicators of distress show unaffordability that should result in the credit line being frozen until and unless the consumer's financial capacity improves.
- **Advances that are repayable in 45 days** or less should be treated as closed-end short-term loans.

The CFPB should **review portfolio-wide refinancing rates**. High rates of refinancing should be evidence that the lender's underwriting standards are inadequate. The CFPB should also track data on the number of loans that meet the indicia of unaffordability but gain an exemption from it or overcome the presumption. This is especially critical if the rule retains exceptions for loans with smaller payments or lower APRs.

1.2.8. Exemption from Ability-to-Repay for Longer-Term Loans Is Vulnerable to Exploitation.

The proposal provides two exemptions from ability-to-repay for longer-term loans. One tracks the National Credit Union Administration's Payday Alternative Loans (PAL) program and exempts loans not exceeding annual interest of 28% and a $20 application fee, up to six times annually (the PAL exemption). The other exempts loans with an APR of 36% or less, fee-inclusive with the exception of an origination fee that can be $50 or a reasonable portion of the lender's origination costs, made up to four times annually per lender, so long as the portfolio-wide default rate does not exceed 5% (the Section 12 exemption).

As proposed, the longer-term exemption loans pose risk of inflicting substantial harm for three primary reasons:

First, any exemption from an ability-to-repay requirement is inconsistent with and undermines the central principle underlying the rule. That principle matters not only for this rule, but for the significance of the ability-to-repay principle in every credit-related context, in every regulatory sphere, going forward. We understand that these exemptions were designed with the intent of excluding products currently issued by credit unions and community banks that have not been a cause for great concern of consumer harm. But the exemptions will be available to all lenders and will be vulnerable to exploitation. **The Bureau should apply the ability-to-repay principle to every covered loan.**

Second, any exemption must not sanction unreasonably high origination fees, lest the risk of substantial harm is too great. The $50 fee sanctioned on each loan in the Section 12 exemption, permitted four times annually, is too high and is not adequately supported by the data the Bureau presents. Moreover, this fee has no clear upper bound, which could result in very costly loans, particularly small ones. A high upfront fee encourages lenders to flip borrowers from one early refinance to another, adding to the risk of the substantial harm. Sanctioning a large origination fee also bolsters lenders' efforts to introduce those fees into state law, without even the limits the Bureau imposed. If this exemption is retained, the rule should limit the fee to **10% of the credit extended up to a maximum of $30 and limit the fee to one per year**. To discourage loan flipping, it should also require a **pro rata refund** of origination fees for early refinancings.

Third, the rule must be carefully designed to ensure that lenders do not use longer-term exemption loans as bridge loans to evade the provisions aimed at preventing flipping for both short- and longer-term loans. As designed, the rule does not prevent lenders from putting borrowers directly into exemption loans following an unaffordable balloon loan or any longer-term loan repaid early. This has the effect of (1) masking the unaffordability of the prior loan by tiding the borrower over until the lender can put the borrower back into a non-exempted covered loan; and (2) ultimately permitting the lender to keep the borrower in unaffordable debt indefinitely, without ever triggering a presumption of inability to repay. Thus, the rule should prohibit longer-term exemption loans from being **used as bridge loans** that have the effect of masking unaffordable loans made by the **same lender.**

In addition, we urge that vehicle title loans not be eligible for these exemptions.

Finally, we support the Bureau's decision **not** to include an exemption based solely on a **5% payment-to-income ratio** as originally included in the preliminary SBREFA outline. There is little reason to presume that a $100 monthly loan payment will be affordable for a typical, already financially distressed borrower earning $24,000 per year. Indeed, the Bureau's more recent data found that default rates on high-cost installment loans, even at payment-to-income ratios not exceeding 5%, reached 28-40%. However, payment size does matter, and we urge the Bureau to closely scrutinize the affordability of loans with large payment-to-income ratios.

1.2.9. Payment Protections Are Warranted and Should Be Stronger.

Given the abusive and unfair practices rampant in the payments space for payday and vehicle title loans, we strongly support a failed payment trigger that requires a lender to obtain a new payment authorization.

However, based in part on the Bureau's own recently published online payments data, we urge that the trigger requiring reauthorization be one failed payment rather two. The Bureau's study found that after one payment attempt failed, only 30% of second attempts succeeded—meaning 70% of second attempts failed. The Bureau also found that 36% of borrowers who experienced a bounced payment had their checking account closed.

If the rule retains its limit of two consecutive failed payments rather than one, additional protections are needed:

- View failed payments in **two consecutive months** as consecutive failures, even if the lender was able collect re-initiated payments, fees, or biweekly payments that do not coincide with rent in between.
- An additional trigger of **three cumulative failed payments**, whether consecutive or not**, over a rolling twelve months.**
- After two consecutive failures and then a third **after a new payment authorization, a fourth attempt should not be permitted**. This is especially important after a refinancing.

We support the proposals for notice of upcoming payment transfers and of consumer rights after payment authorization is revoked. We further urge that consumers be informed of a clear **right to revoke authorization**; that **multiple payment channels** not be permitted; and that lenders be required to comply with applicable **payment network rules**.

1.2.10. The Information Furnishing Requirements to Registered Information Systems Are Essential to the Rule As a Whole.

The requirement to report to registered information systems (RIS) is critical to enable compliance with provisions addressing loan flipping restrictions. The reporting will also provide data on a borrower's loan performance (like delinquencies, defaults, and collections activity) on covered loans that lenders should be required to consider in making a reasonable ability-to-repay determination.

We support requiring lenders to report covered loan information **to every registered information system.** To facilitate the utility of the data across lenders and help ensure accuracy, we urge that CFPB require specific consumer identifying information with strict matching criteria.

We generally support the information the proposal requires lenders to report but urge that it be expanded. The feasibility of including more information is supported by more detailed requirements for existing state databases.

We strongly support the need for the function the registered information systems (RISs) serve in the proposed rule, and if the Bureau does not take on that function itself, we support the RIS approach. But in the interest of best protecting consumers, **we urge the CFPB to consider taking on this role itself (**via a contractor), much as the 14 states with covered loan databases have done.

With respect to RISs, compliance with the **Fair Credit Reporting Act is essential.** The Bureau should mandate the development and use of a s**tandardized data reporting format**.

We strongly urge the Bureau to **prohibit** use of RIS information for **marketing (including prescreened "offers" of credit)** and **non-credit uses such as employment and insurance**. Otherwise, the creation of these new RISs could harm consumers and make them prey to debt settlement and credit repair scams.

1.2.11. Record Retention and Reporting Requirements to the Bureau Should Be Enhanced.

We support both the proposed compliance program and record retention requirements. But we urge requiring lenders to **retain records longer than 36 months** when needed to substantiate RIS/CRA reporting.

We also urge the Bureau to require lenders to retain **additional data** and to report it to the Bureau and State enforcement agencies, in order bolster enforcement of the rules and the ability to detect evasions. Particularly critical is reporting on the percentage of a lender's portfolio that:

- Departs from clear verification evidence;
- Has a presumption of inability to repay, relies on an exception to that presumption, or rebuts it;
- Has various metrics of loan performance, including delinquencies, defaults and other indicators that consumers are struggling;
- Results in debt collection or debt sales.

We provide a list of examples of aggregate data that will aid in enforcement of the rule.

We further urge that the Bureau **create a public, searchable database** with key information (such as default and reborrowing rates) **by state and by lender** and **publish an annual report**, including state-level data, based on the data lenders have reported.

1.2.12. The Prohibition Against Evasion Must Be Stronger.

We strongly support a general anti-evasion provision, and indeed the history of evasion in these markets demands a strong one. We support a provision along the lines of what the proposal includes, but we urge that the Bureau do the following:

- Address any clearly foreseeable evasions within the substantive provisions of the rule itself.
- Eliminate the "intent" element of the evasion prong that risks gutting it.
- Modify the existing examples in the Commentary to support a stronger interpretation of the anti-evasion provision.
- Include additional examples of evasion.

1.2.13. The Proposed Severability Provision Is Important and Appropriate.

We strongly support the rule's proposed severability provision: "The provisions of this rule are separate and severable from one another. If any provision is stayed or determined to be invalid, it is the Bureau's intention that the remaining provisions shall continue to be in effect."

The proposed rule is critical to protect consumers from harm. Should certain provisions be stayed or ruled invalid, there are others that would still provide substantial needed protection to consumers.

1.2.14. The Benefits of the Proposed Rule Far Outweigh Its Costs (Dodd-Frank Act Section 1022(b)(2) Analysis).

The Bureau's cost/benefit analysis required under Dodd-Frank § 1022(b)(2) thoroughly demonstrates that the benefits of the proposed rule far outweigh the costs. The Bureau solicits comment on its preliminary analysis, and we offer some observations, noted here and discussed further below.

First, in connection with the Bureau's duty to consider the impact on access to credit, access is most appropriately construed broadly. Households with lower credit scores are served by a range of credit products. High-cost loans drive out lower-cost ones from responsible lenders. Unaffordable payday and vehicle title loans generate their own demand for reborrowing rather than meeting consumers' credit needs. The 90 million Americans living in states without payday lending deal also with cash shortfalls without unaffordable payday loans and the harms they cause.

Second, the proposed underwriting requirements, with our proposed recommendations, are **not too costly to be feasible.** Fintech companies are eager to develop solutions that will streamline compliance.

Finally, some statements the Bureau makes in the cost/benefit analysis expose vulnerabilities in the rule and reinforce the need to strengthen it.

1.2.15. The Rule Should Make Clear that Offering or Collecting a Loan in Violation of State Law Is an Unfair, Deceptive, and Abusive Practice.

A substantial number of states have strong laws in place to protect their residents from the harm of unaffordable payday and vehicle title loans, including usury limits. These states can and do enforce their laws with actions that have resulted in millions of dollars of debt relief and restitution. But payday lenders exploit loopholes in state laws or simply disregard state laws altogether.

The Bureau explicitly recognizes in the proposal that state usury limits are more protective of consumers than the Bureau's proposed rule. While the Bureau does not have authority to enact a usury cap, it has authority to prevent lenders from violating stronger state level protections and making illegal loans.

Even in states that do not have strong laws, licensing requirements generally apply to non-depository lenders and other limits may apply. Unlicensed loans are unlawful and may be void or uncollectible under state law.

The CFPB should protect consumers from illegal loans and strengthen the enforceability of state laws by declaring in this rule that offering, collecting, making, or facilitating loans that violate state usury, licensing or other consumer protection laws is an unfair, deceptive, and abusive act or practice. Collecting of such loans is also an abusive debt collection practice and a violation of the Electronic Fund Transfer Act if collected via electronic fund transfer.

1.2.16. Effective Date.

The Bureau has proposed an effective date for the rule of, generally, 15 months after publication of the final rule in the Federal Register. We appreciate that the Bureau aims to balance providing consumers with needed protection while giving covered persons adequate time to comply with the rule.

We urge the Bureau to shorten this effective date to 12 months, in light of the urgent need for protection from the abusive and unfair practices the rule addresses. One year is a reasonable period of time within which to expect lenders to be compliant.

We thank the Bureau for its consideration of these recommendations, which we discuss in more detail throughout these comments. With incorporation of the suggestions we offer, this rule should be expected to significantly curtail the significant harm caused by making high-cost loans with coercive repayment devices without a reasonable determination of the borrower's ability-to-repay. This rule is a critical part of the Bureau's congressionally assigned mission to prevent unfair and abusive practices and to prevent evasions.