ELIJAH E. CUMMINGS, MARYLAND
CHAIRMAN

ONE HUNDRED SIXTEENTH CONGRESS

JIM JORDAN, OHIO
RANKING MINORITY MEMBER

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5051
MINORITY (202) 225–5074

http://oversight.house.gov

Opening Statement
Chairman Raja Krishnamoorthi
Hearing on "CFPB's Role in Empowering Predatory Lenders: Examining the Proposed Repeal of the Payday Lending Rule"
Subcommittee on Economic and Consumer Policy
May 16, 2019

In the wake of the financial crisis, the CFPB was established to stop predatory financial activity central to the collapse.

For years, the CFPB has stood up to financial predators, holding companies accountable for wrongdoing and returning $12 Billion of ill-gotten money to consumers.

When the CFPB saw predatory payday and auto title lenders targeting the poorest Americans with high-interest debt traps, it began studying the issue.

5 years of careful research uncovered an industry preying on desperation. Many lenders advertise short-term loans, but they know the truth – their products lock in the average consumer for 11 months. In fact, most consumers pay more in fees than they borrowed in the first place. Furthermore, interest rates approach 400%.

But you don't have to take my word for how predatory these loans are. This video is on the CFPB's own website: https://www.youtube.com/watch?v=XUqyyJSoM_s

Most types of lenders make money when loans are repaid. But payday and auto title lenders succeed when their borrowers fail. 90% of fees come from people who take out 7 or more loans just to repay the first.

CFPB's 5 years of research produced substantial of evidence that action was needed. It issued the 2017 Rule, also known as the "Payday Lending Rule," to stop the debt traps, by simply requiring payday, title, and other high-cost installment lenders to determine upfront whether people could afford to repay.

Indeed, Americans overwhelmingly support this common-sense rule. Nationwide, 73% of Americans support requiring payday lenders to check a borrower's ability to repay before lending money, including 74% of Democrats, 72% of Republicans, and 77% of Independents.

Today, we are going to discuss the CFPB's proposed repeal of this wildly popular rule. Why are we so focused on it? Listen to the plight of Billie A., one of the many borrowers central to this story.

Billie A. is from Springfield, Illinois, she is disabled and on a fixed income. She took out a title loan to help when her grandchild was born. After a year, she had paid $1,500 on a $1,000 loan and still owed $800. She couldn't pay basic living expenses, turning to a food bank, and eventually, living in her car. One month, she took out a payday loan to cover her title loan to avoid repossession. The lender never asked about other debts, or if she could repay. But it got her bank information, so it could pull from her account every month. When there is no money, it charges her $25 more.

Billie describes her situation as, quote "being like a hamster on one of those wheels. I just keep running and never get anywhere. It's scary to tell my story, but someone's got to tell people 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."

Billie is just one of 12 million Americans who use these types of loans each year, and her story is not unique. The CFPB's 2017 Payday Lending Rule was developed over the course of half a decade to protect people like Billie, but the CFPB's current leadership has decided to abandon the rule based on no new research. This hearing will ask the question, "why?"

Today, Mr. Pahl is here from the CFPB to discuss payday lending. We in this room may not be payday borrowers, but we need to stand up for them. If we do not, what protections will CFPB come for next?

Contact: Aryele Bradford, Communications Director, (202) 226-5181