



April 5, 2016

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

Dear Director Cordray:

We are writing on behalf of the listed organizations and the Georgians whose financial security would be threatened if future Consumer Financial Protection Bureau rules unintentionally weakened our state's strong protections against payday lending.

Georgia has battled predatory lending for over a century. We want the CFPB to understand how hard our state has fought to protect its consumers from payday lenders and how much our citizens stand to lose if federal regulations undermine these protections.

Any proposed rules should help states enforce consumer protections

We understand that the CFPB does not have the authority to place a cap on interest rates and that the proposed rules would not preempt state law. At the same time, we hope the CFPB creates a strong rule that:

- mandates ability to pay requirements for all loans regardless of duration;
- limits the maximum size and duration of long term loans;
- does not grant any safe harbor to loans that violate federal regulations;
- is not overly complex and can be understood by the average consumer, and
- declares that violation of a state's usury cap is unfair, abusive, and deceptive.

Payday lenders will seize any opportunity to reenter Georgia and prey upon its citizens. We know because they have already tried. In 2007, out of state lenders introduced legislation that would have repealed Georgia's stringent criminal penalties for usury cap violations. Fortunately, the bill never made it past the House floor, but we have no illusions that Georgia is permanently safe from payday lenders. We fear that a weak CFPB rule will give payday lenders an air of legitimacy and arm them with the arguments they need to diminish consumer protections or pass authorizing legislation in this state.

A brief history of predatory lending in Georgia

Payday lending and similar industries have a long history in our state. At the turn of the 20th century, Georgia stopped lenders from using assignments of future wages as security and from rolling over debt –both common practices at the time. In response, lenders began buying future wages outright and finding ways around the roll-over ban. In the 1950's, Georgia fired back by instituting its first usury caps for small dollar loans. It also required small lenders to register with the state's Office of the Industrial Loan Commissioner.



However, these regulations could not stop payday lenders from unearthing other ways to circumvent the law. In the 1990's, lenders began securitizing personal checks and using the "rent a bank" model to subvert Georgia's usury laws. Finally, in 2004, Georgia created an entirely new chapter of the criminal code that effectively outlawed payday lending. This chapter imposed severe criminal penalties for exceeding the state's usury caps. It is now a high and aggravated misdemeanor –punishable by up to one year in prison and a \$5,000 fine- to issue small loans that exceed the state's usury cap. Repeat offenders face a felony conviction and up to five years in prison plus a \$10,000 fine.

Less than ten years later, payday lenders tested the scope of these penalties. The Georgia Office of the Attorney General received complaints that out of state lenders were making payday loans through the internet. The Attorney General's Office was able to fend off these financial predators by threatening to enforce our strict criminal penalties. This incident shows that strong laws against payday lenders can protect consumers even with the mere threat of enforcement.

Payday lending must remain prohibited in Georgia

As our history shows, Georgia believes the only solution to payday lending is wholesale prohibition. We believe that this predatory industry cannot be regulated because it is not a legitimate business. Its success depends on trapping consumers in a nightmarish cycle of debt. In states with regulated payday lending, borrowers take out an average of nine loans a year and pay \$4.2 billion in predatory fees. While a CFPB rule on its own could not overturn Georgia law, a weak rule could send the wrong signal to our State Legislature.

Georgia consumers would suffer tremendous harm if payday lenders were allowed to operate under the auspices of federal regulations. We urge you to adopt a rule that not only maintains state protections against payday lending, but also strengthens prohibitions on this abusive practice.

Respectfully,

Liz Coyle
Executive Director
Georgia Watch
lcoyle@georgiawatch.org

On behalf of the signatory organizations (attached).



Letter to Dir. Cordray on Payday Lending Rule

On behalf of these Georgia organizations:

- Atlanta Neighborhood Development Partnership, Inc.
- The Center for Working Families
- ClearPoint Credit Counseling Solutions
- The Community Foundation for Greater Atlanta
- Emmaus House
- Georgia Advancing Communities Together, Inc.
- Georgia Justice Project
- Georgia Budget and Policy Institute
- Georgia NAACP
- Georgia Watch
- Latin American Association
- Lawrenceville Housing Authority
- Partnership for Southern Equity
- Step Up Savannah