



COALITION FOR SAFE LOAN ALTERNATIVES

April 26, 2016
The Honorable Richard Cordray, Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Payday and Car Title Rulemaking

Dear Director Cordray:

The undersigned organizations urge the Bureau to establish a strong rule addressing payday, car title, and similar loans.

On March 29th a group of community organizations, advocacy groups, local banks and credit unions, charitable groups, and religious organizations joined together to launch a new national forum, designed to help those in financial need with safe, fair and low-cost small dollar loans - the Coalition for Safe Loan Alternatives. The Coalition for Safe Loan Alternatives is writing this letter of support for the guidelines for small dollar lending (Payday and Car Title Rulemaking) and to urge several important changes to ensure that safe credit is widely available.

We hope that the CFPB establishes a strong ability to repay standard that applies to all loans without loopholes or safe harbors that put consumers at risk from unaffordable debt. We also urge the Bureau to adopt a limit on back-to-back transactions and allow no more than 90 days of short-term loan indebtedness in a 12-month period and to improve protections for longer-term payday loans.

The Coalition for Safe Loan Alternatives, with many members making and supporting low-cost and consumer-friendly loans, recognizes that a regulated market will improve access to affordable credit and short-term loan products. We also believe that having transparent and clear rules with few exemptions will create a marketplace that is more inclusive of financial institutions, technological products focused on financial health, and local efforts for unique lending needs.

As such, members of the Coalition for Safe Loan Alternatives believe in the following principles and urge the Consumer Financial Protection Bureau to make rules that underscore them:

- **Lenders should consider and document a borrower's ability to repay the loan in full and on time without additional borrowing or financial hardship.**
- **The interest rate for a safe loan should not exceed 36 percent APR interest.** While the CFPB cannot cap interest rates, it can reaffirm the importance of state interest rate caps as an important consumer protection.
- **Short-term loans should be short-term without resulting in a long-term cycle of debt.** When borrowers are trapped in short-term loans for more than 90 days a year or repeatedly refinance longer-term loans, they are at risk of financial hardship.
- **Safe loans do not rely on aggressive debt collection or abusive access to a borrower's bank account.** We support restrictions on how and when lenders can access a borrower's bank account to prevent repeat overdrafts and involuntary account closure.

- **Loans should build credit and improve credit scores through fair reporting to credit bureaus.**
Credit scores are critical for purchase power and future loan options – loans should be designed to report positive repayment to credit bureaus.

We appreciate your consideration of our concerns, and we would be happy to discuss them further.

Sincerely,

David Rothstein
Chair, Coalition for Safe Lending Alternatives
Director of Resource Development and Public Affairs, Neighborhood Housing Services of Greater Cleveland

LIST OF SIGNERS

Alabama Appleseed Center for Law & Justice, Inc.
Arkansans Against Abusive Payday Lending
CDFI Coalition
Credit Builders Alliance
Florida Alliance for Consumer Protection
Indiana Assets and Opportunity Network
Interfaith Worker Justice
Kentucky Equal Justice Center
Neighborhood Housing Services of Greater Cleveland
New Mexico Fair Lending Coalition
Ohio CASH Coalition
One New Mexico
Partnership for Community Action
Representative Deborah Armstrong, New Mexico
Southwest Center for Economic Integrity
Sunrise Banks
True Connect, Employee Loan Solutions
Woodstock Institute