

October 7th, 2016

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

Docket No: CFPB-2016-0025

Re: Comments from Non-Profit Diaper Bank Organizations on proposed rulemaking on payday, vehicle title, and certain high-cost installment loans

Dear Director Cordray:

The undersigned list of groups asks the Consumer Financial Protection Bureau to adopt a strong rule to prevent the financial hardships created by payday and car title loans.

Our national network includes 300 diaper banks that serve lower-income households in 50 states.

1 out of 5 of Happy Bottoms parents who receive our diapers has reported that they had to receive a high-interest loan in order to buy diapers for their babies. This results in the inability of families to get out of the cycles of poverty.

Our internal surveys of our clients have revealed that many of the families we serve, all of whom struggle financially, have received payday loans. Our clients come to us because they do not have enough money to diaper their children. On average, they run out of diapers every week and use sub-optimal alternatives in order to meet their other financial obligations. We offer these details to underscore why it is that they cannot afford the high fees charged by payday lenders.

We ask the CFPB to make a strong rule that:

- **Applies an Ability-to-Repay Standard:** The rule should prevent lenders from making loans to consumers without evaluating their ability to repay a loan without financial hardship. The Bureau should require lenders to underwrite these loans through a thorough process that makes sure that borrowers have adequate income to cover their expenses during the period of the loan and during the 30 days after the loan term ends. Lenders should not be able to claim that a loan is affordable solely because they are able to debit a consumer's account. Instead, they should be expected to make loans to consumers only in cases where the borrower can pay back the loan and then cover their expenses during the following month.
- **Contains safeguards to Stop Borrowers from Falling into a Debt Trap:** The rule ensures that struggling consumers should not be trapped in a payday loan for more than 90 days in any 12-month period. As currently proposed, the rule would allow lenders to make up

to 6 loans to a borrower in a year without having to consider their ability to repay. But even one loan can cause a financial hardship. This exception must be removed. Why would we want to give predatory lenders six chances to extract money from our most vulnerable citizens?

- Protects Consumers from Unfair Collections Practices and from Fraud: Additionally, we ask the CFPB to protect consumers from unfair debt collections practices. The Bureau's own research shows that after one failed attempt, additional attempts to pull funds from a borrower's checking account are unlikely to succeed. All too often, lenders repeatedly debit an account even after a previous request had failed. The impact of this practice is to trigger a cascade of overdraft and insufficient funds fees, further putting a consumer in more debt. We urge the Bureau to require lenders to gain re-authorization from a borrower after the first failed attempt.

Finally, in states where these loans are already illegal, we ask you to build upon those protections. The rule should not undermine existing state laws, but instead, increase the ability of states to enforce their laws against lenders that are making illegal loans.

We ask you to close the remaining loopholes and issue the strongest rule possible to stop the harmful debt trap of unaffordable payday loans.

Sincerely,

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