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Consumer Financial Protection Bureau puts forth proposed rules to end debt traps

ATLANTA, GA, March 27, 2015 – Yesterday, the Consumer Financial Protection Bureau released a [draft proposal](#) to address the cycle of debt caused by payday lenders and other high-cost, small dollar loans. The draft, presented at a field hearing in Richmond, VA, would require lenders to ensure that borrowers have the ability to repay the loan, without re-borrowing, and still cover household necessities such as rent, food and utilities.

"While we applaud the CFPB for its commitment to protecting the assets of consumers, specifically within communities that are disproportionately targeted for sub-prime lending, we also urge the CFPB to pass a comprehensive policy covering all forms of abusive, high-cost loans and to close any potential loopholes in the current proposal," said Georgia Watch executive director Liz Coyle.

Payday and similar unaffordable loans result in a cascade of financial consequences such as increased overdraft fees, delinquency on other bills, bankruptcy, and forced bank account closures. In 2004, Georgia passed legislation banning payday lending in the state. However, vehicle title loans and other predatory lending products are still allowed in Georgia. According to a recent [Pew study](#), auto title loan customers spend about \$1,200 in fees per year for loans that average \$1,000.

"We want to ensure that any rule from the CFPB would enhance the state's ability to regulate auto title and other small dollar, high cost loans in Georgia," said Georgia Watch director of community education, Elise Blasingame. "As Georgia already serves as a model for consumer protection with regard to our payday lending ban, we are also concerned that the CFPB rule must not undermine or create loopholes for our existing state laws. We know that predatory lenders target our military personnel online and across the borders of our state where payday lending is allowed, so national legislation is a priority for protecting Georgia consumers," she added.

Founded in 2002, Georgia Watch is a statewide consumer advocacy organization whose mission is to empower and protect Georgia consumers on matters that impact their wallets and quality of life. Through education, advocacy and policy development, Georgia Watch works to influence public policies that positively impact consumers, safeguard consumer protections in the area of personal finance, promote access to safe and affordable healthcare, encourage fair utility rates and renewable energy options, protect the right to trial by jury and promote access to the courts.