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In Birthday Message to CFPB, Georgia Watch and Rep. Hank Johnson Call for Strong Action against Payday Lending Abuses

July 21, 2015 – ATLANTA, GA – Five years after the enactment of the law that created it, the Consumer Financial Protection Bureau is working on rules to curb the abuses of the payday lending industry. As it takes up that momentous task Georgia Watch and Representative Hank Johnson sent the Bureau a message of strong encouragement today.

“Payday loans create a long-term cycle of debt and a host of other economic consequences for borrowers; luckily, the Consumer Financial Protection Bureau has the potential to bring meaningful reform to the abusive practices of these lenders,” explains Representative Johnson. “The CFPB is the only financial oversight agency with a mandate to put the interests of consumers first. Since it opened its doors in July 2011, the Consumer Bureau has more than proved its worth by bringing basic rules of fair play to mortgages, debit cards and other areas of the financial marketplace, protecting military families against illegal foreclosures, deceptive education loans, and other illegal products and practices.”

“We need the CFPB proposal to include stronger provisions to protect Georgians from the current cycle of debt many consumers are trapped in as a result of title pawn,” says Elise Blasingame, community education director for Georgia Watch. “In areas around the state where title pawn is prevalent, such as Chatham County, consumers pay a high cost for loans, including interest rates of up to 187% APR, and fees that mount significantly after an initial 30-day period. We are lucky to have state leaders like Representative Hank Johnson who understand the importance of ensuring the CFPB rules uphold our ban on payday lending and address other predatory small-dollar, high-cost loans trapping Georgia consumers.”

Representative Hank Johnson is one of 101 congressional signers ([68 House members](#) and [33 Senators](#)) of letters urging the CFPB to move forward with rules strong and broad enough to end the abusive practices of payday, car-title and other high-cost consumer lenders. Georgia Representatives Sanford Bishop (2nd), John Lewis (5th) and David Scott (13th) were also among signers urging the CFPB to pass a strong payday rule. Strong rules will keep Americans from getting trapped in the cycle of debt that is too often the result of these triple-digit-interest loans. While Georgia may serve as a model, our consumers are still affected by the lack of national regulation on payday lending, something the CFPB is attempting to remedy with these proposed rules. Predatory lenders have still found a way to take advantage of Georgians either by offering loans online or staking out our borders in Alabama, Florida, Tennessee and South Carolina. There are roughly 15 payday lending outlets on the road from



Fort Benning, Georgia to Phenix, Alabama alone. As for the online lenders, in 2013 Attorney General Sam Olens had to file an injunction to stop Western Sky Financial, a payday lender based in South Dakota, from issuing loans to Georgians through their website.

Payday lenders claim to be offering a one-time financial quick fix. In truth, their business model is to make loans they know cannot be paid back in full and on time – without requiring the borrower to take out another loan to cover basic necessities like food and rent. In fact, 75 percent of all fees paid to payday lenders come from borrowers who take out more than 10 loans in a year, and three-quarters of all payday loans are taken out within two weeks of a previous loan. One third of the time, when borrowers repay these loans, they overdraw their checking accounts, incurring yet more fees.

Under the terms of the Dodd-Frank financial reform law of 2010, the CFPB has the authority to regulate small-dollar consumer loans. The agency released a [broad outline](#) of its plans in March, and is expected to come out with a formal proposal later this year. To fight back, the payday lending industry will both attack the bureau itself, and attempt to weaken the rules.

“Ability to repay is a fundamental element of responsible lending and a crucial element of this rulemaking,” said Liz Coyle, Georgia Watch executive director. “For the first time, payday lenders would be required to make their profit the same way we expect responsible banks and mortgage lenders to – by making loans borrowers can afford while still covering basic necessities like rent and food.”

A [new poll](#) conducted in early July by Lake Research and commissioned by Americans for Financial Reform and the Center for Responsible Lending underlines public concern about payday abuses, and strong support for regulation. By more than a 3:1 margin, the survey shows, voters regard payday loans as predatory. By a 10:1 margin, voters across party lines favor a rule requiring small-dollar lenders to verify a customer’s ability to repay.

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.