



March 27, 2018

Dear Senators Durbin and Duckworth:

The undersigned Illinois organizations urge you to oppose S.J. Res. 56, sponsored by Senator Lindsey Graham. This measure would repeal the Consumer Financial Protection Bureau's (Consumer Bureau) payday rule, which curbs the ability of payday and car-title lenders to trap consumers in an endless cycle of 300-plus percent interest debt. It is imperative that Congress oppose any effort to repeal or block the rule's protections against the payday lending debt trap.

At its core, the rule is based on the common sense principle that lenders have a responsibility to determine whether a borrower has the ability to repay their loan without getting stuck in a cycle of unaffordable debt. This principle is particularly important for these high-cost loans where lenders obtain, as a condition of the loan, the power to tap directly into a borrower's bank account. An ability-to-repay requirement is a sensible approach and a principle that, according to a recent poll of likely voters, is supported by more than 70 percent of Republicans, Independents, and Democrats.

This rule is the culmination of over five years of stakeholder input and extensive research showing clear evidence of the harm caused by making these loans without regard to ability-to-repay. A large body of research has demonstrated payday and car title loans are structured to create a long-term debt trap that drains consumers' bank accounts and causes significant financial harm, including delinquency and default, overdraft and non-sufficient funds fees, increased difficulty paying mortgages, rent, and other bills, loss of checking accounts, and bankruptcy. The lack of underwriting for ability to repay, high fees, and access to a borrower's checking account or car title enables lenders to repeatedly flip borrowers from one unaffordable loan to another. A large portion of borrowers eventually default, but often not before paying hundreds, or even thousands, of dollars in fees. Research from the Consumer Bureau shows that more than four out of five payday loans are re-borrowed within a month, and the majority of payday loans are borrowed by consumers who take out at least 10 loans in a row.

Payday and auto title lending costs Illinois families half a billion dollars per year in fees, and payday loans in Illinois average an astounding 318 percent in annual interest.

This is why the payday rule is necessary: it helps ensure lenders cannot force borrowers—who are typically already significantly financially distressed—into a debt trap. Repealing this rule would put veterans, seniors, and communities of color at particular risk, because they are often directly targeted by payday lenders.

While 15 states plus the District of Columbia cap state interest rates at 36 percent or less, which is the most effective protection against the payday lending debt trap, the Consumer Bureau's rule

provides critical protection in the 35 states, including Illinois, that still permit these unaffordable debt trap loans.

S.J. Res. 56, by repealing the Consumer Bureau's commonsense rule, would give payday lenders a free pass to continue exploiting financially vulnerable Americans. We urge you to stand against predatory lenders by voting against this measure.

Thank you,

Active Alliance Counseling
Asset Building Strategies
Bailey's Cafe
BENEVOLENT
BIG: Blacks in Green
Center for Changing Lives
Center for Economic Progress
Chicago Appleseed Fund for Justice
Chicago City Treasurer's Office
Chicago Council of Lawyers
Community Interventions Institute, Inc.
Community Organizing and Family Issues
Drame Designs
Earthmover Credit Union
El Techno Colibri
Genesis Housing Development Corporation
Health & Medicine Policy Research Group
Heartland Alliance
Housing Action Illinois
IFF
Illinois Asset Building Group
Illinois National Organization for Women
Illinois PIRG
Karen Chan Financial Education & Consulting, LLC
LISC Chicago
National Community Investment Fund
Navicore Solutions
Northwest Side Housing Center
Partners in Community Building, Inc.
Peterson Healthcare Consulting, Inc.
POWER PAC
Project IRENE
Sargent Shriver National Center on Poverty Law
Socially Responsible Ventures L3C
Southwest Organizing Project
Woodstock Institute