

Defend National Payday Loan Protections

The Consumer Financial Protection Bureau released its long-awaited final rule¹ on payday and auto title loans on October 5, 2017. Before the rules could take effect, however, the Consumer Bureau – now led by Trump appointee Kathy Kraninger – proposed on February 6, 2019, to cut the heart out of the rule. The Kraninger proposal would strip away the requirement that payday and title lenders determine whether borrowers have the ability to repay their loans.

Payday and title loans are expensive.

- **Triple-digit interest rates are the norm.** Illinois has the fourth highest payday and title lending fees in the nation, costing Illinois families over a half billion dollars per year: \$270,204,194 in payday loan fees and \$233,259,868 in title loan fees.²
- The average APR on a payday loan is **316 percent**, and the average APR on an Illinois title loan is **188 percent!**³

The Rule Would Protect Consumers from “Debt Trap” Payday Loans.

- Generally,⁴ for payday and auto title loans payable in 45 days or less, the lender would be required to determine whether the consumer has the ability to repay the loan based on the consumer’s income and expenses. “Ability to repay” means the consumer could repay the loan in full when due and still meet basic living expenses and major financial obligations.
- In Illinois, the rule would have protected the **nearly 60,000 consumers who received over 200,000 payday loans in 2017.**⁵ The rule would not have applied to the vast majority of Illinois title loans, however, because the terms are more than 360 days.
- Research⁶ by 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.**
- In Illinois, **most payday loan consumers are lower-income**, earning \$30,000 or less per year. The ability-to-repay protection would benefit lower-income consumers, who are disproportionately people of color, the most.

The Kraninger Proposal Enables Payday Lenders to Trap Consumers

- Without an ability-to-repay requirement, payday lenders in Illinois will be able to continue to make loans to consumers that the lenders know the consumers cannot repay.

¹ U.S. Consumer Financial Protection Bureau. “[Payday, Vehicle Title, and Certain High-Cost Installment Loans](#),” October 2017. Docket No. CFPB-2016-0025.

² Center for Responsible Lending. “[Payday and Car Title Lenders Drain \\$8 Billion in Fees Every Year](#),” Updated January 2017.

³ Illinois-specific data can be found in the Illinois Department of Financial and Professional Regulation’s [Illinois Trends Report](#), June 2019.

⁴ The rule creates an exception to the ATR requirement for payday loans that meet certain requirements. Under this exception, called the “principal payoff option,” a lender could make three payday loans in succession, but only if the loans are \$500 or less and the consumer pays off at least one-third of the original principal with each loan (e.g., Loan #1 = \$450; Loan #2 = \$300; Loan #3 = \$150).

⁵ Illinois Department of Financial and Professional Regulation. “[Illinois Trends Report](#),” June 2019.

⁶ The Consumer Bureau has a [detailed, six page fact sheet](#).