

WISPIRG: U.S. Consumer Bureau gives payday debt traps its seal of approval

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The Consumer Financial Protection Bureau (CFPB) this week released a proposal for gutting its own payday lending borrower protections, which were originally set to go into effect this August. WISPIRG director Peter Skopec issued the following statement:

“The Consumer Financial Protection Bureau, under Director Kathy Kraninger, has officially given payday debt traps its seal of approval. This week’s proposal is a reckless rubber-stamping of predatory lending.

Payday loans come with an average interest rate of nearly 500 percent APR in Wisconsin, according to the Department of Financial Institutions. WISPIRG’s 2016 analysis of written complaints to the Consumer Bureau about payday lending found significant evidence of the major problem with these loans: Borrowers can’t afford them and end up stuck in a cycle of debt.

In 2017, under previous CFPB Director Richard Cordray, the Bureau created common-sense consumer protections that simply required lenders to check whether potential customers could repay high-interest loans. By proposing to get rid of this underwriting requirement, the CFPB is gutting important protections that were the result of a 5-year, data-driven approach to the problem of predatory debt-trap loans.

Just last year, 77 percent of Coloradans voted to rein in predatory lenders by capping interest rates at 36 percent APR through a ballot measure, making Colorado the 16th state (along with D.C.) to ban payday debt traps. But consumers in other states need protections, too.

We encourage consumers to speak up and submit comments against this week's proposal during the CFPB's 90-day public comment period."