To: Interested Parties
From: Lake Research Partners and Chesapeake Beach Consulting
Re: Support in the Northeast for Financial Regulation and Enforcement
Date: February 23, 2015

Our recent bipartisan poll of likely 2016 voters nationwide[1] finds that voters in the Northeast[2] strongly oppose numerous payday lending practices and support financial regulations and enforcement by the Consumer Financial Protection Bureau (CFPB).

Opposition to Payday Lending and Support for Reforms

Like voters in the rest of the country, Northeastern voters have strongly net negative impressions of payday lenders. 50% of Northeasterners view payday lenders unfavorably (40% very unfavorably), compared to only 15% who report a favorable impression.

Nearly three-quarters of Northeastern voters (73%) would support a cap on the amount of interest payday lenders are allowed to charge, including nearly three-fifths (59%) would strongly support such a rate cap.[3] Middle Atlantic voters are particularly supportive (77%).

More than four-fifths (83%) of Northeastern voters would also support a proposal that payday lenders be required to check a borrower's ability to repay a loan, including nearly two-thirds (65%) who are strongly supportive.[4] Northeastern voters are equally enthusiastic about a rule that payday lenders be required to check a borrower's ability to repay a loan *within that loan's stated time period*.[5] 82% of

[1] Lake Research Partners and Chesapeake Beach Consulting conducted a survey of 800 likely 2016 voters nationwide, from January 13-19, 2015. The margin of error of the survey is +/- 3.5%.

[2] Our definition of the Northeast includes New England (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut) and the Mid Atlantic (New York, New Jersey, Pennsylvania).

[3] Currently, the average annual interest rate on payday loans is 391 percent. Would you support or oppose a proposal to put [a much lower cap on the interest rates that payday lenders may charge/a cap on the interest rates that payday lenders may charge to no more than 36 percent], or aren't you sure?

[4] The Consumer Financial Protection Bureau is currently writing new rules for payday lending. One new requirement may be that, before issuing a loan, payday lenders would have to consider the borrower's current expenses and income, and only issue loans to those likely to be able to repay their loans. Currently there is no requirement that payday lenders make any effort to verify borrowers' ability to repay loans. Would you support or oppose this new rule that payday lenders be required to check a borrower's ability to repay a loan before lending the money, or aren't you sure?

[5] Payday loans are sold as two week loans, due on the borrower's next payday. However, many borrowers cannot repay these loans after two weeks. So, payday lenders re-lend to the borrower, charging new interest each time. On average, borrowers end up being in debt for an average of six

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Northeasterners would support such a rule, registering higher levels of support than any other region of the country.

A majority of Northeastern voters strongly oppose payday lenders having access to borrowers' bank accounts (73% oppose this arrangement somewhat or strongly). Their opposition is equally strong whether payday lender access is framed in terms of the risk of overdraft fees as a result of payday lender withdrawals or a situation in which a payday lender withdrawal could come before food, utilities, or other budget priorities.[6]

Northeasterners strongly support regulation after they hear a debate between an argument for regulating payday loans and a counterargument defending the usefulness of these loans and the advantages of more latitude for lenders. Seven in ten Northeasterners prefer the pro-regulation argument (55% say this argument is much closer to their own views), compared to only 21% who gravitate more toward the argument about more latitude for lenders. Northeasterners' margin of support for regulation (+49 pro-regulation) is the widest in the country.

Payday Loan Head-to-Head Text

Next I'd like to read you a pair of statements about payday loans. Of the two, please tell me which statement is closer to your own views, even if neither is exactly right. [ROTATED]

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(Some/other people say) Too often, high-cost payday loans trap people in a long-term cycle of debt. When borrowers struggle to repay, lenders gladly extend the loans they know borrowers can't afford, adding more fees and interest and eventually forcing borrowers to default on other bills. Before issuing a loan, payday lenders should have to make sure the loan is not likely to trap the borrower in a cycle of debt.

(Some/other people say) Payday loans are a helpful source of credit for low-income workers and families who don't have access to full-service banks. People rely on these loans when they are short on cash and have nowhere else to turn. The big government regulations some are proposing will put most payday lenders out of business, which will mean less access to credit and fewer options for consumers.

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months. Would you support or oppose a new rule that payday lenders be required to check a borrower's ability to repay a payday loan within that loan's stated time period before lending the money, or aren't you sure?

[6] When borrowers take out payday loans, payday lenders receive direct access to their bank accounts. As soon as new money is deposited in the bank account, lenders are able to withdraw this money, [which often triggers overdraft fees because there is not enough money in the account/putting lenders first in line, ahead of borrowers' food, utilities, and other expenses.] Do you support or oppose this arrangement, allowing payday lenders direct access to borrowers' bank accounts, or aren't you sure?

A clear majority of Northeasterners also favor prohibiting "unfair and abusive rates" altogether. In a head-to-head debate between making "unfair" rates illegal and the counterargument that it is the borrowers' responsibility to read the terms of their loans and make informed decisions, Northeastern voters agree with prohibiting excessive rates 57% to 35%.[7]

Northeastern voters strongly support proposals to regulate car title loans. On the matter of capping interest rates on these loans, Northeastern voters are the most enthusiastic in the country (82% agree with this proposal, and 70% agree strongly). Two-thirds of Northeastern voters (67%) also agree that car title lenders should be required to assess a borrower's ability to repay before issuing a loan (61% agree strongly).[8]

CFPB Enforcement and Regulation

Support for the Consumer Financial Protection Bureau is stronger in the Northeast than in any other region of the country. 45% of Northeasterners report a favorable impression of the CFPB (compared to 36% nationwide), and fewer than one in ten reports an unfavorable impression. Although many Northeasterners remain unfamiliar with the agency (46% have no opinion or have never heard of the CFPB), the Northeast is the only region in which a majority of voters are familiar with the CFPB.

Dovetailing with their greater familiarity with and appreciation of the CFPB, Northeastern voters are more pro-CFPB than voters anywhere else in the country when responding to a debate between an argument about the importance of the CFPB and a counterargument calling the CFPB an unaccountable government bureaucracy. Northeastern voters support the pro-CFPB argument 67% to 18%. By

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[7] Next I'd like to read you a pair of statements about payday loan fees. Of the two, please tell me which statement is closer to your own views. [ROTATED] (Some/other people say) Disclosure of fees and charges is not enough to protect borrowers from unfair and abusive payday loan fees. Regular consumers can't be expected to recognize fees hidden in fine print and written in legalese. We shouldn't just require lenders to disclose fees; unfair and abusive rates should be illegal. (Some/other people say) It is the responsibility of consumers to make educated borrowing decisions. When you take out a payday loan, it's your job to read the terms of the loan. If payday lenders follow the rules and disclose the fees associated with the loan, they should not be blamed when a consumer fails to read the fine print.

[8] When borrowers take out car title loans, they put up their car as collateral for a loan. These are short-term loans, usually 30 days, and charge annual interest rates over 300 percent. If a borrower defaults on the loan, the lender takes the borrower's car. Do you agree or disagree that lenders should be required to assess a borrower's ability to repay before making a car title loan, or aren't you sure?

an even wider margin (69% to 20%), they agree with an argument about the need to enforce rules to check the power of Wall Street.

CFPB Head-to-Head Text

I'd like to read you a pair of statements about the Consumer Financial Protection Bureau, which was created by the Wall Street reform law. Of the two, please tell me which statement is closer to your own views. [ROTATED]

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(Some/other people say) We have rules to guard against unsafe meat, appliances, and automobiles. The CFPB is there to provide similar rules for financial products. Just as it's against the rules to sell dangerous toys, it should be against the rules to sell dangerous loans.

(Some/other people say) The CFPB is another unaccountable, expensive, federal bureaucracy we don't need. The financial crisis was caused by government interference. Imposing even more regulation just hurts small businesses, costs jobs, and impedes economic recovery. The CFPB is yet another example of out of control, big federal government.

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(Some/other people say) Wall Street banks and financial companies have too much power, and, too often, they get away with deceptive and unfair practices to maximize their profits at the expense of regular Americans. We need the CFPB to enforce laws that protect consumers and hold financial companies accountable.

(Some/other people say) The CFPB is another unaccountable, expensive, federal bureaucracy we don't need. The financial crisis was caused by government interference. Imposing even more regulation just hurts small businesses, costs jobs, and impedes economic recovery. The CFPB is yet another example of out of control, big federal government.

Northeastern voters are also strongly supportive of CFPB enforcement in the areas of racial discrimination and mistreatment of servicemembers. When presented with an example of auto lenders discriminating against borrowers based on race, Northeasterners respond more strongly than voters anywhere in the country, supporting CFPB involvement and enforcement by a +60 point margin (74% to 15%). They also respond strongly to an example about the CFPB cracking down on companies that mistreated military servicemembers (64% to 20%); Northeasterners' response to the servicemembers example is similar to that of voters elsewhere in the country.

CFPB Enforcement Head-to-Head Text

The Consumer Financial Protection Bureau has used its enforcement authority to bring lawsuits against companies it found to have violated the law. Please tell me which of the following two statements is closer to your own views about this type of regulatory action. [ROTATED]

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(Some/other people say) Companies that violate the law should be held accountable and made to pay. For example, when the CFPB discovered that auto lenders were charging higher interest rates to people in certain racial and ethnic groups, they fined the lenders guilty of this discrimination. We need the CFPB to protect consumers and hold unfair lenders accountable.

(Some/other people say) The CFPB is out of control, using taxpayer money to fund expensive lawsuits that hurt regular Americans and businesses. CFPB lawsuits unfairly target businesses that government regulators don't like, preventing these businesses from innovating and prospering. CFPB intrusion costs American jobs and money for consumers and taxpayers.

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(Some/other people say) Companies that violate the law should be held accountable and made to pay. For example, when the CFPB discovered that a chain of stores located near military bases were making unauthorized withdrawals from the accounts of service members and their families and contacting commanding officers to pressure service members for payments, the CFPB fined these businesses. We need the CFPB to protect consumers and hold law-breaking businesses accountable.

(Some/other people say) The CFPB is out of control, using taxpayer money to fund expensive lawsuits that hurt regular Americans and businesses. CFPB lawsuits unfairly target businesses that government regulators don't like, preventing these businesses from innovating and prospering. CFPB intrusion costs American jobs and money for consumers and taxpayers.

CONCLUSION

Northeastern voters oppose a range of common payday lending practices, and a strong majority want the CFPB to enforce tougher regulations to protect consumers from financial abuse. Northeastern voters are more familiar with and supportive of the CFPB than voters anywhere else in the country, and they strongly support a variety of reform proposals aimed at regulating lending abuses and protecting consumers.

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Please do not hesitate to reach out to Celinda Lake (clake@lakeresearch.com), David Mermin (dmermin@lakeresearch.com), or Bob Carpenter (bobcarpenter1957@gmail.com) with any questions about this research.