



Press Release  
Thursday, April 2, 2015

For More Information,  
Contact:  
Mark Sullivan  
(207) 671-0542  
[msullivan@mecep.org](mailto:msullivan@mecep.org)

## **CFPB Initiative Is an Important Step toward Ending Unscrupulous, Abusive Lending Practices**

*MECEP urges the agency to adopt strong rules to "protect borrowers, especially those who can least afford it, from crippling loan debt"*

Augusta, Maine (Thursday, April 2, 2015) The Maine Center for Economic Policy (MECEP) today praised the federal Consumer Financial Protection Bureau (CFPB) for releasing a working draft of a proposal to rein in abusive low-dollar lending schemes such as payday, auto title and installment lending.

"By taking this first rulemaking step, the CFPB has initiated a process that must ultimately ban a wide range of abusive lending practices and protect borrowers, especially those who can least afford it, from crippling loan debt," said MECEP associate director Jody Harris. "The strongest, most effective protection for consumers, especially the most vulnerable, from devious payday lenders lies in strong regulatory reform. We urge CFPB to adopt strict federal regulations and apply robust enforcement against unscrupulous lenders. We also appeal to our elected leaders in Congress to support the CFPB's efforts."

The CFPB's draft rules would require lenders to verify before making a loan that borrowers can pay it back on time, without re-borrowing, and still cover their basic necessities like rent, food and utilities.

"The CFPB's proposed affordability standard is smart, fair and flexible," Harris said. "It would require small-dollar lenders to do business the same way we expect responsible banks and mortgage lenders to - by making good loans. This simple change would go a long way toward ending the cycle of debt, strengthen access to good credit for consumers who need it, and give responsible lenders a fighting chance to compete, thrive and profit in a fair environment."

Harris noted that there are improvements to be made to CFPB's current draft.

"We are disappointed that the proposal includes a gaping loophole that allows short-term lenders to make some loans without verification of ability to pay," Harris said. "This is of particular important to Maine and other states which have already enacted strong protections for borrowers. We urge the CFPB to reconsider this "look-the-other-way" standard and apply a strong affordability standard to every loan."

Harris noted that payday, auto title and similar lenders market their products as short-term quick fixes but the average borrower winds up taking out nine loans, each with a new fee and a triple-digit interest rate.

CFPB unveiled its proposal at a recent field hearing in Richmond, Virginia. MECEP is a member of the [Stop the Debt Trap Campaign](#), which is fighting to end abusive lending.

---