



Maine Center for Economic Policy

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New Federal Rule Cracks Down on Predatory Lenders, Protects Consumers

MECEP urges a strong CFPB rule governing abusive lending practices that target low-income families, especially women, veterans, and seniors

Augusta, Maine (Thursday, June 2, 2016) The Maine Center for Economic Policy (MECEP) lauded as "a good beginning" the Consumer Financial Protection Bureau (CFPB) rule announced today designed to ban abusive lending practices that saddle consumers in Maine and nationwide with crushing debt.

"Abusive payday lenders take advantage of Maine's low-income families, especially women, veterans, and seniors, trapping them in an inescapable cycle of debt," said Jody Harris, MECEP Associate Director. "CFPB's proposed rule begins to address predatory lending practices and level the playing field for lenders across the board. It will help to protect hardworking Maine consumers from onerous debt and let them use their paychecks for essentials like food and shelter and to invest in their and their children's future."

Payday lenders make small, short-term, unsecured loans at exorbitant interest rates (some as high as 400 percent or more) that usually come due within a few weeks after receipt of the loan. Unlike traditional bank and mortgage lenders, current federal lending rules do not require payday lenders to verify that borrowers can pay back their loans on time, without re-borrowing, before making a loan. These payday lenders also often require borrowers to provide direct access to their bank accounts, enabling the lender to withdraw payments regardless of whether the account contains sufficient funds resulting in costly overdraft fees.

"The proposed rule on payday and car title lending is a good beginning, but there is still much work to be done to ensure this rule truly protects consumers from the legalized loan sharks who prey on our communities," Harris said. "Fortunately, this is just the opening offer. MECEP will work with our state and national partners to shut the predatory lending debt trap once and for all."

"Maine is a leader in enacting strong consumer protections," Harris said. "Because of this, MECEP supports a strong federal rule and urges concerned Maine individuals and organizations to let the CFPB and our congressional delegation know that they support the proposed rule."

The [Center for Responsible Lending](#) has prepared a guide with more information on what to look for in the proposed rule ([click here](#)). Maine individuals and organizations can comment on and express support for CFPB's proposed rule at this link: <http://stop paydaypredators.org/MECEP/>

About the Maine Center for Economic Policy

The Maine Center for Economic Policy provides citizens, policymakers, advocates, and media with credible and rigorous economic analysis that advances economic justice and prosperity for all Maine people.

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