

Durbin: CFPB's proposed rule would crack down on payday lending industry abuses

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WASHINGTON D.C. —U.S. Senator Dick Durbin (D-IL) today commended the Consumer Financial Protection Bureau (CFPB) for its proposed rule aimed at addressing abuses in the payday lending industry. The proposed rule is one of the first efforts by the federal government to rein in small-dollar loans, which often carry interest rates exceeding 300%. ?

“Payday lenders offer a quick way to make ends meet, but often with devastating consequences,” said Durbin. “Lenders are, in many instances, making these loans knowing that the consumer does not have the ability to repay them. This forces borrowers to choose between default and repeated borrowing, which perpetuates a cycle of debt. I commend the CFPB for taking action to end the payday loan debt trap. It’s the right thing to do to protect working families and consumers.”

The CFPB found that four out of every five payday loans are rolled over or renewed within 14 days. A majority of all payday loans are renewed so many times that borrowers end up paying more in fees than the amount they originally borrowed. The rule proposed today would require lenders to ensure that consumers have the ability to repay the loans and to provide affordable repayment options. The rule would cap the number of rollovers within a certain period of time and place limits on when and how lenders can gain access to money in consumers’ bank accounts. These consumer protections would also apply to vehicle title loans, deposit advance products, and certain high-cost installment loans, and open-end loans.

In June 2015, [Durbin and more than 30 other Senators wrote to the CFPB](#) to express their support for the initial steps the agency has taken to rein in predatory practices in payday and similar types of lending. These Senators urged the agency to issue the strongest possible rules to combat the “cascade of devastating financial consequences” that these high-priced loans often have on consumers. Durbin also [wrote to the Community Bankers Association of Illinois and the Illinois Credit Union League](#) to engage community banks and credit unions in developing alternative credit options for the twelve million Americans who use predatory payday loans every year.