The Midas Collaborative

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FOR IMMEDIATE RELEASE

The Midas Collaborative Supports CFPB PayDay Rule, Pushes for Stronger Protections

Community organizations wary of loopholes that could negatively impact Massachusetts residents

Boston, MA – October 14, 2016 – The Midas Collaborative (Midas) and other consumer advocates and community organizations submitted comments to the Consumer Financial Protection Bureau (CFPB) that support the rule to regulate the high-cost loan industry, also known as "payday lenders". As a strong consumer-protective state, Massachusetts does not have a preponderance of these short term loans that target low income residents and military families. However, current state regulations could be threatened by changes in national regulation, so the strongest possible federal rule is supported by Midas. Payday loans cost consumers up to 300% in interest and fees for loans as low as $300.

As one of the few states without payday lenders, Midas recognizes the importance of strong regulations against predatory lenders who essentially trap vulnerable residents in insurmountable debt. The rule is a critical step in stopping the harmful effects of unaffordable loans, but it must be strengthened to ensure it stops the debt trap for low-wage workers across the state. The current Massachusetts statute, known as the Small Loan Law, caps interest rates at 23%, effectively banning payday lending within the state. This protects consumers' income and reduces their exposure to abusive debt collectors, as outlined in Midas' *"Massachusetts Debt Trap"* report.

The proposed rule, released for comment in June, attempts to create standards for loans that ensure the possibility of repayment by borrowers while they meet basic living expenses. However, the standards only apply after the borrower has six repeated loans and they give the lender authority to determine the basic necessities of the borrower. The quality of the lenders is graded on a curve by comparing default rates with other payday lenders. In practice, this will result in the CFPB allowing for the continuation of lending at 300-400 percent interest rates. In addition, by requiring a 'cooling off' period of only 60 days between loans, the snowballing effect of repeated loans will be continued.

"Massachusetts has a long history of strong state laws that protect borrowers and keep them from being forever trapped in debt. The purpose of the CFPB is to protect consumers so we encourage the strongest possible rule to curb abuses in the financial industry" said Pam Hoffman, Midas' executive director.

Midas and 10 community organizations that serve low and moderate income residents of Massachusetts recommend stronger protections for longer term loans, clear guidelines on the "affordability standard," and restoring the "cooling off" period to 90 days. We applaud the CFPB's efforts and those of our elected representatives, Senators Warren and Markey, and Representatives McGovern, Lynch, Clark, Capuano and Kennedy in addressing the egregious business practices of the payday and high-cost loan industry, but the proposed rules as they currently stand exacerbate economic inequality and the racial wealth divide.

The full letter submitted by Midas can be viewed here.

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The Midas Collaborative advances the financial security of low and moderate income residents across Massachusetts in collaboration with its member organizations and other partners. Through our member and partner network, we have invested more than $39 million back into local Massachusetts communities through home ownership, small businesses, education and other assets from our asset development programs with community partner organizations. Midas delivers its Financial Coaching & Confidence Program through MassSaves, an innovative coalition of Midas and private and public stakeholders. MassSaves *provides financial education, resources and advocacy for individuals and families looking to achieve financial stability and build wealth.*