COMPETITIVE ENTERPRISE INSTITUTE

April 23, 2019

The Honorable Kathleen Kraninger
Director
Bureau of Consumer Financial Protection
1700 G Street N.W.
Washington, D.C. 20552

**Re: Proposed Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans**

Dear Director Kraninger,

The undersigned organizations write in strong support of the Bureau of Consumer Financial Protection's decision to rescind portions of the Payday, Vehicle Title, and High-Cost Installment Loans Rule and to delay the compliance date for certain provisions contained in the rule.

The original small dollar loan rule, finalized in 2017 by then-director Richard Cordray, is one of the most detrimental regulations ever issued by the Bureau, an unaccountable and unconstitutional regulator established by the Dodd-Frank Act. Put forward under the guise of consumer protection, the rule would have stripped valued financial services away from some of the most vulnerable people in society.

Without reform, the CFPB's rule would have all but eliminated these alternative financial industries, wiping out around $20 billion worth of credit from the economy and leaving millions of Americans without access to credit. This is despite the fact that there was no need for federal intervention in the first place - every single state has had laws and regulations covering payday loans for decades.

If Washington regulators take away access to legitimate credit options, that will not end consumers' need for emergency credit. Instead, a ban on small-dollar loans would drive borrowers toward worse options, such as defaulting on financial obligations like rent, or seeking out unregulated lenders and loan sharks.

As the Bureau's recent Notice of Proposed Rulemaking recognizes, the original rule was devoid of evidence justifying such a harsh regulation. It disregarded a wealth of empirical research demonstrating that small dollar loans benefit consumers who are desperate to make ends meet and manipulated other research, such as that of Columbia Law School professor Ronald Mann, to suit their own ends. Professor Mann even went so far as to criticize the Bureau's use of his research in a comment letter to the agency, stating that it was "frustrating" that the CFPB's summary of his work was "so inaccurate and misleading," torturing the analysis to the extent that it was "unrecognizable."

The decision by Director Kraninger and the Bureau to rescind the "ability to repay" portions of the payday loan rule and preserve consumer choice and access to credit is the right one. Rescinding the payday loan rule is a win for consumers and business alike, allowing individuals, not Washington bureaucrats, to decide what is best for themselves.

Sincerely,

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