Tlaib Targets Payday Lenders With Amendment to CFPB Reform Bill

Jeffrey Cimmino

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Rep. Rashida Tlaib (D., Mich.) introduced a bill amendment on Wednesday targeting payday and car-title lenders by requiring the Consumer Financial Protection Bureau to provide quarterly reports to Congress with information about these lenders.

Tlaib's amendment would be attached to the Consumers First Act, a bill that would reverse policies instituted by former CFPB acting director Mick Mulvaney and which passed the House Financial Services Committee in March.

The amendment would "add a quarterly reporting requirement that CFPB provide Congress with the number of investigations opened and closed relating to payday/car-title lenders, how many enforcement actions taken, an estimate of how much in fees payday/car-title customers paid, how many times in the previous 12 months a payday customer rolled over their loan, and how many car title loan borrowers lost their car in the previous 12 months."

Small-dollar loans amount to only 0.7 percent of complaints made to the CFPB, according to a March report.

Tlaib is not the first Democrat to target payday loans. During the Obama administration, the CFPB instituted new rules to govern payday lenders, although the Trump administration has since rolled back some of those regulations.

The Obama administration argued that "consumers lack the requisite level of understanding" of payday loans. At a House Financial Services Committee hearing earlier this month, Robert Sherrill, CEO of Imperial Cleaning Systems, pushed back against this argument, citing his own experience.

"It is unfair for anyone to assume that every day people don't know what they're getting into or what the repayment terms of a loan are going to be," Sherrill said. "That assumption is based on the conclusion that ordinary people are uneducated or too unsophisticated to make smart financial decisions. In my situation, I was tracking every dollar I had. I knew when money was coming in, and I knew when it was going out. I knew that I would have to repay the loans that I took out."

Sherrill said he grew up in a tough family and got involved in selling drugs, eventually ending up in prison. He struggled to get a loan to start a business after leaving prison, prompting him to turn to "the only company willing to front [him] the money [he] needed," a local payday lender.

"If you eliminate these loans and these lenders, where do you expect people to turn for a lifeline? I had tried everything else. For many people, like me, these products are a first step toward getting things back together," Sherrill told the committee. "People choose them because they are better than the alternatives. If they weren't, they wouldn't exist. We should trust people to choose what is best for their own situations, not take options away from them."

For lower-income earners who struggle to meet the requirements for a credit card or other types of loans, payday lenders offer access to credit via short-term loans with easier approval requirements.

"Though often portrayed as predatory, payday lenders provide many Americans, who often don't have access to traditional bank services, with the opportunity to smooth consumption or get cash quickly when emergencies arise," Peter Van Doren wrote earlier this year for the Cato Institute. "The apparently 'high' fees are a natural outcome of lending small amounts to riskier borrowers."

"Any restrictions that limit these fees or impose increased costs on lenders may eliminate access to any loans, leaving former borrowers with less-desirable, higher-cost options," Van Doren continued.

Gerard Scimeca, vice president of Consumer Action for a Strong Economy, a nonprofit consumer interest advocacy group, told the *Washington Free Beacon* the regulation proposed by Tlaib will raise costs on lenders and restrict access to credit.

"They are adding this tremendous regulatory and reporting requirement that is going to be very expensive and time consuming, which is going to raise the costs on the lenders and obviously where do you go with those costs? You're either going to have to service fee your consumers, come up with fewer products, or raise your prices. So it's not in the best interests of consumers," Scimeca said.

At press time, Tlaib's office had not responded to a request for comment.