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News Release

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It's Time for Strong National Action Against Payday Lending Abuses

(Charleston, WV) Five years after the enactment of the law that created it, the Consumer Financial Protection Bureau is working on rules to curb the abuses of the payday lending industry. As it takes up that momentous task, the West Virginia Center on Budget and Policy is sending the Bureau a message of strong encouragement today, to follow in West Virginia's footsteps of protecting consumers.

"Payday loans create a long-term cycle of debt and a host of other economic consequences for borrowers; luckily, the Consumer Financial Protection Bureau has the potential to bring meaningful national reform to the abusive practices of these lenders, "said Ted Boettner, Executive Director of the West Virginia Center on Budget and Policy.

The CFPB is the only financial oversight agency with a mandate to put the interests of consumers first. Since it opened its doors in July 2011, it more than proved its worth by bringing basic rules of fair play to mortgages, debit cards and other areas of the financial marketplace, protecting military families against illegal foreclosures, deceptive education loans, and other illegal products and practices, and delivering $5.5 billion in refunds and restitution to more than 14 million consumers cheated by banks and other financial companies.

"West Virginia is lucky to have strong protections in place to protect consumers from predatory payday lenders. During his time as governor, Senator Manchin, along with other West Virginia leaders, made sure that consumers in our state don't have to worry about getting trapped in the payday loan debt cycle. But once they cross our borders or access the Internet, they are just as vulnerable as those living in states without strong protections," stated Linda Frame, Communications Director with the West Virginia Center on Budget and Policy. "It has become increasingly clear that we need action from Washington to urge the CFPB to adopt strong rules."

Members of Congress are calling on the CFPB to move forward with rules strong and broad enough to end the abusive practices of payday, car-title and other high-cost consumer lenders. Strong rules will keep Americans from getting trapped in the cycle of debt that is too often the result of these triple-digit-interest loans.

Payday lenders claim to be offering a one-time financial quick fix. In truth, their business model is to make loans they know cannot be paid back in full and on time – without requiring the borrower to take out another loan to cover basic necessities like food and rent. In fact, 75 percent of all fees paid to payday lenders come from borrowers who take out more than 10 loans in a year, and three-quarters of all payday loans are taken out within two weeks of a previous loan. One third of the time, when borrowers repay these loans, they overdraw their checking accounts, incurring yet more loan charges.

The CFPB is expected to release its payday lending rule this fall.

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