



Consumer Federation of America

For Immediate Release:
April 24, 2013

Contact: Tom Feltner 202-618-0310

Consumer Financial Protection Bureau report on payday lending highlights repeat borrowing, triple-digit interest rates

Washington, D.C.—The Consumer Financial Protection Bureau’s [recently released report](#) on payday loans highlights ongoing consumer challenges with high-cost, short-term credit with potentially abusive features. The report confirmed previous findings from consumer advocates that borrowers are predominately lower-income, are charged triple-digit interest rates for a short-term loan, and that repeat borrowing is frequent.

Payday lenders rely on an unprecedented ability to collect loan payments using post-dated checks or electronic access to bank account, rather than examining a borrower’s income and expenses or existing debt burden. With little or no consideration of a borrower’s ability to repay, many consumers lack sufficient income to repay the loan in full and resort to taking out multiple loans or refinancing the original loan and incurring additional interest charges. The findings of the report showed that the average borrower was in debt to a payday lender 196 days, or 54 percent of the year.

“The Bureau has taken a thoughtful and in-depth look at this market; one which we hope represents the first step toward a data-driven response to concerns about common abusive practices,” says Tom Feltner, director of financial services at the Consumer Federation of America. “This information, in addition to the information that the Bureau routinely collects from consumer complaints and examination of lenders, will help guide new, meaningful protections.”

The Consumer Financial Protection Bureau has the authority to examine payday lenders for compliance with existing consumer protection standards, such as those that govern electronic access to consumer’s bank account. The Bureau also has the authority to issue new rules that could curtail some industry abuses, such as repeat borrowing.

“Consumers deserve to be confident that any credit option in the marketplace can be reasonably repaid without repeat refinancing, unfair collection tactics, or undue financial hardship,” said Feltner.

Consumer Federation of America is an association of nearly 300 non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, education and advocacy