FLORIDA ALLIANCE
FOR CONSUMER PROTECTION

For Immediate Release:
Thursday, August 04, 2016

Contact:
Brad Ashwell. 850-294-1008
bradashwell@flacp.org

Statement in Response to City Council of St. Petersburg's Passage of a Resolution in Support of New Rules to Protect Consumers from Predatory Payday Lenders

The Consumer Financial Protection Bureau (CFPB) recently issued a proposed rule aimed at addressing issues that underlie high-interest payday loans with a history of trapping those with the least ability to pay in an inescapable cycle of debt. Today the City Council of St Petersburg weighed in by adopting a resolution in support of a strong rule that will protect consumers.

Alice Vickers, Director of the Florida Alliance for Consumer Protection (FLACP), issued the following response:

TALLAHASSEE, FL – "We applaud the City Council of St Petersburg for supporting a strong CFPB rule that could potentially help millions of people who are being intentionally trapped in 300-plus percent interest loans. Unfortunately, St. Petersburg and other local governmental entities are largely preempted by the state from protecting consumers directly with local ordinances. However, today they've shown how they can have a voice on this issue and stand up for consumers. Hopefully, local government officials throughout the state will follow their lead."

# # #

Background:
In Florida, payday lenders have an average interest rate of 278% APR and collected over $311 million in fees last year, according to a recent report by the Center for Responsible Lending. These companies have an extraordinary degree of leverage over desperate borrowers due to maintaining control of their bank accounts. They can debit a borrowers account at will, without notice, leaving them unable to pay for basic living necessities like rent and food, while triggering multiple overdraft fees driving the consumer deeper into debt.

One fundamental problem with the way payday lenders operate is that they do not have to assess the borrower's ability to repay the loan as many traditional lenders do. This allows them to issue unaffordable loans to borrowers which deliberately creates a cycle of debt where the lender makes significant profit on repeat borrowers paying off their last loan again and again. Over 83% of Florida payday loans last year were to Floridians stuck in 7 or more loans in a year.

The CFPB's proposed rule on payday and title lenders gets it right by focusing on requiring lenders to assess an ability by the borrower to repay the loan. However, there are some loopholes and exemptions in the current proposed rule that we and other consumer advocacy groups wish to see closed in the final rule to make sure that lenders can't continue to exploit consumer as they have been.