

Congress Urges Stronger Action Against Payday Loan Vendors

By Charlene Crowell
NNPA Columnist

The Federal Trade Commission (FTC) will provide \$32 million in relief to consumers who were caught in a maze of charges and fees designed to trap them in payday loans they never authorized. The enforcement action announced July 7, affects two lenders based in Kansas City, Mo. who operated as many as 16 different businesses involved in online lending. The FTC also imposed an additional \$22 million fine against the lenders and banned them from all consumer lending.

Their triple-digit interest rates and access to borrowers' bank accounts or car-titles place these borrowers in financial jeopardy

Members of Congress are urging the FTC to take similar action against similar violators.

Every day online and storefront payday lenders trap borrowers in long-term cycles of debt. Their triple-digit interest rates and access to borrowers' bank accounts or car-titles place these borrowers in financial jeopardy. FTC's actions and others undertaken by federal and state regulators reveal rampant abuses in the short-term, small-dollar lending market.

More than 100 Members of Congress representing 35 states, the District of Columbia and the Virgin Islands, recently urged the Consumer Financial Protection Bureau (CFPB) to enact a strong rule to curb abusive practices by payday lenders and other high-cost predatory loans like car-title and certain installment loans.

In separate letters, 33 U.S. Senators and 68 House Members urged the same action: strong regulation and enforcement of abusive and predatory consumer lending.

Their calls for CFPB rulemaking comes as the Bureau finalizes its proposed rule, first announced in late March. At that time, a letter signed by 500 consumer advocates from all 50 states waged an unprecedented push for reining in abusive small-dollar and high-cost loans engaged the White House and Capitol Hill.

Now, after listening to an onslaught of diverse and strong voices, federal lawmakers are adding their voices and influence to the continuing fight for fairness.

"Predatory lenders should not be able to continue unfair, deceptive, and abusive acts or practices that are designed to trap borrowers in a cycle of debt," wrote 33 Senators. "This is a business model rooted in preying on individuals and families that have no ability to repay, and the CFPB has a critical opportunity to protect consumers by issuing strong rules."

Members of Congress with constituencies as varied as their broad geographic expanses similarly called for CFPB to adopt strong regulation.

"While there is a need for affordable credit, unfair, deceptive and abusive payday and car title lending practic-



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es often pull consumers into a cycle of debt," wrote the members. "We support the Bureau's efforts to close the door to unaffordable loans by addressing failure to underwrite for affordable payments, repeatedly rolling over or refinancing loans, accessing the consumer's account for repayment, and performing costly withdrawals."

As consumer advocates stress the importance of the ability to repay a loan as a cornerstone of both responsible lending and effective regulation, a new poll jointly commissioned by Americans for Financial Reform and the Center for Responsible Lending, asked 2016 likely voters their opinions on consumer lending and regulation, Wall Street influences and actions taken by the Consumer Financial Protection Bureau (CFPB).

Respondents showed strong and bipartisan support for regulation of financial services and products. By more than a 10-to-one margin, they favored a rule requiring small-dollar lenders to verify a

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customer's ability to repay before a loan can be issued.

Other poll results showed:

- Nearly three-quarters – 73 percent – said they favor the central provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- Respondents continue to view the financial industry as under-regulated; and
- They also believed that regulations and enforcement will ensure financial institutions act fairly and responsibly.

"We are thankful for lawmakers and regulators standing up against these predatory loan practices which drain billions of dollars a year from low-income families," said Diane Standaert, director of state policy with the Center for Responsible Lending. "As CFPB moves towards issuing its proposed rules, we urge it to use its full authority to stop the dangerous debt trap of these loans, and eliminating loopholes."

According to policy experts, CFPB could act on the pending regulation sometime this fall.

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Minority Banks Shut Out of Federal Tax-Credit Program

Washington Informer Staff
Special to the NNPA

Minority-owned banks are crying foul about the federal government snubbing them for tax credits they say could generate economic development in the nation's most needy communities.

The Community Development Financial Institutions (CDFI) Fund, an arm of the Treasury Department, issued in June \$3.5 billion in New Markets Tax Credit (NMTC) allocation to 76 entities across the country to spur economic development.

However, none were awarded to the nation's minority banks, despite those institutions claiming the longest track records of deploying capital in the nation's most underserved areas.

"The NMTC program has great potential to be part of a comprehensive economic solution in America's inner cities, most of which still have not recovered from the Great Recession," said Preston Pinkett, CEO of City National Bank and chairman of the bankers association. "But the groups best equipped to make those investments, minority banks — many of which have been in service for over 100 years — have largely been shut out of the NMTC program. We need our CDFI Fund to do more; we need a real change that will allow us to receive allocations so we can use these resources to improve our communities."

The federal tax-credit program provides a tax credit to investors who invest in projects or small businesses in those communities by funneling their investments through the recipients of tax credit allocation.

According to the CDFI Fund's Award Book, only six awards — less than 8 percent — went to minority-controlled entities of any kind, and those groups received only \$165 million, under 5 percent of the total dollar amount of allocation.

"The absence of a single minority bank raises much concern," said Michael Grant, president of the Na-

tional Bankers Association.

A 2009 study by the Government Accountability Office indicated that only about 9 percent of minority entities were successful

Industrial Bank of Washington, D.C. and former chairman of the bankers association. "Some of our banks have been deploying capital in the poorest neighbor-

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when applying for NMTCs, while non-minority entities had three times the success rate, winning 27 percent of the time. According to GAO, although the program is highly competitive, minority entities have less than a one in three chance of any other type of entity to receive an award.1 Minority banks have had even lower success rates than minority entities overall.

"By our estimates, less than 2 percent of the \$450 billion in NMTCs issued over the past 12 years has gone to minority banks," said Doyle Mitchell, CEO of

hoods in America for over 100 years, and we think the CDFI Fund should review the program to ensure that applications by minority and other small CDFI banks are evaluated on criteria that reflects their position as regulated institutions operating in distressed areas, which is significantly different from non-regulated or larger institution applicants."

Alden McDonald, CEO of Liberty Bank in New Orleans, said the imbalance would be even more pronounced had it not been for funds his bank received after Hurricane Katrina.

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