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FINANCIAL REGULATION

Payday Lenders Drum Up Customer Support to Ease Regulations

CFPB is flooded with comments, many using the same templates



Kathy Kraninger, director of the CFPB, testified in March before the Senate Banking Committee. Payday and auto-title lenders support her plan to repeal rules enacted during the Obama administration. PHOTO: ALEX EDELMAN/CNP/ZUMA PRESS

By Yuka Hayashi

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WASHINGTON—Payday lenders have been mobilizing their customers to push the federal government to ease Obama-era regulations of the industry, according to research by a consumer advocacy group that favors the rules.

Since the Consumer Financial Protection Bureau began soliciting public comment on a proposed rule governing small-dollar, high-interest consumer loans, the lenders have organized thousands of customers who have sent in duplicated comments in support of the change, said Allied Progress, the consumer group.

The proposed rule, unveiled in February by Kathy Kraninger, the new director of the CFPB under President Trump, has been welcomed by payday and auto-title lenders. It aims in effect to repeal a regulation enacted under President Obama that would impose tough new underwriting standards. The 90-day public comment period ends May 15.

In a report to be published Tuesday, Allied Progress found that nearly a quarter of the 16,761 public comments submitted as of May 11 contained duplicated language supporting the latest regulatory revision.

For example, 2,364 comments said: "As you take a second look at the payday loan rule, please don't make it more difficult for me to get these loans ... Millions of Americans like me rely on payday loans, and the government shouldn't take away our access to credit."

At least 213 others contained sentences reading: "I needed to replace my hot water tank. Then my appliances needed to be repaired and eventually replaced," according to Allied Progress. At least 141 comments said, "I borrow to help my child pay for college ... I can borrow a small loan rather than have her grow her student loan." At least 851 comments said: "Mandatory underwriting would be too costly and time-consuming."

The parties soliciting comments include the Financial Service Centers of America, or FiSCA, a trade group that has set up a website known as We Deserve Credit.

Some larger lenders provide a link from their websites to the FiSCA comment portal. FiSCA said consumer advocacy groups also have been flooding the government with comments from their supporters since late last week. Among them is Consumer Action, whose suggested language appeared in nearly 1,900 comments posted on the government website regulations.gov.

"We believe that comments by real consumers who actually use small dollar loan products are significantly more insightful and probative of reality than the comments of 'consumer advocates' who have no experience with these products," Ed D'Alessio, executive director of FiSCA, said in a statement.

At least 434 comments were submitted by individuals saying they were customers of Cash Connection, a payday lender with 17 stores in Alabama and Michigan. The company didn't respond to a request for comment.

The use of public comments in the federal rule-making process has come under scrutiny in recent years. While the public-comments system enables the public to participate in rule-making, the use of new technology has enabled some interest groups to distort the process by generating numerous fake comments.

Jeremy Funk, a spokesman for Allied Progress, said: "We haven't made a formal allegation of fraud. But it certainly deserves serious scrutiny."

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What role, if any, should payday loans play for the 40% of adults who can't cover a \$400 emergency expense? Join the conversation below.

The use of pre-written comments to solicit public input is a common strategy used by corporations opposing regulations, as well as by consumer advocates seeking greater government intervention. Allied Progress sent out 140,000 email messages with a link to a comment-submission portal, according to a spokesman.

The number of comments submitted during the current rule-making period for the payday rule is far smaller than the more than 1.4 million comments recorded in 2016 for the original payday rule.

As of Tuesday, more than 26,000 comments have been submitted, according to regulations.gov.

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