



FOR IMMEDIATE RELEASE

April 21, 2016

Contact: Marcus Roth, 614-257-9848

### **CFPB Finds Payday Loans Result In Heavy Bank Fees**

The federal Consumer Financial Protection Bureau released new research revealing how payday lenders harm consumers when hidden fees significantly increase the overall cost of these low-dollar loans.

The CFPB studied loans made by 330 payday lenders during an 18-month period and found that half of borrowers were charged an average of \$185 in bank penalties due to debit attempt overdrafts or fails, which often resulted in borrowers having their bank accounts closed involuntarily.

Payday lenders are not required to assess borrowers' ability to repay their loans and typically require their customers to post-date checks or grant them direct access to their bank accounts. This ensures that they will be first in line for payment, regardless of whether their customers have enough money remaining to meet their basic living needs. Borrowers then often resort to another payday loan to pay their rent or mortgage or purchase food or medicine.

"We already know that payday and car title loans drain more than \$502 million a year in predatory loan fees from Ohioans," said Coalition on Homelessness and Housing Executive Director Bill Faith referring to a separate [report on payday loan fees](#) the Center for Responsible Lending issued last fall.

"This new CFPB report confirms that payday loans cause even more damage through bank penalties and overdraft fees," Faith added. "This is why we need the CFPB to issue strong rules that will finally put a stop to the payday loan debt trap."

The CFPB has proposed regulating payday lenders and is expected to issue final rules in coming weeks. Consumer advocates have called on CFPB Director Rich Cordray to ensure the regulations close loopholes that allow lenders to continue charging usurious rates.

David Rothstein, of Neighborhood Housing Services of Greater Cleveland, said the new CFPB study shows how lenders' claim that payday loans help their customers avoid costly bank overdraft fees is simply false.

“This high-quality research further debunks the myth that payday loans are an alternative to getting hit with bank fees. They are not an either/or but rather an additional financial hardship caused by payday loans,” Rothstein said.

Additional Information:

CFPB Report on Hidden Costs: <http://www.consumerfinance.gov/newsroom/cfpb-finds-half-of-online-payday-borrowers-rack-up-an-average-of-185-in-bank-penalties/>

Ohio Advocates’ Letter On CFPB Rules: <https://www.cohhio.org/files/Cordray%20letter%20stronger%20rules.pdf>

CRL Report on Ohio Payday Loan Fees: <http://www.responsiblelending.org/research-publication/buckeye-burden-analysis-payday-and-car-title-lending-ohio>

CRL Analysis of CFPB Draft Rules: <http://www.responsiblelending.org/research-publication/cfpbs-preliminary-proposal>