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January 17, 2012

The Honorable Richard Cordray
Director
United States Consumer Financial Protection Bureau
1500 Pennsylvania Ave NW (Attn: 1801 L Street NW)
Washington, DC 20220

Dear Director Cordray,

Congratulations on your recent appointment. It has come to my attention that on Thursday, January 19, 2012, you will be holding a field hearing in Birmingham, Alabama on payday lending and short-term insured depository loan products. As you examine this industry, I wish to respectfully urge you and your staff to ensure an appropriate balance between fostering a regulatory environment that gives consumers of bank and non-bank payday loans, overdraft protection, and bounced check products meaningful safeguards and maintaining broad access to these much needed financial services.

In my home state of Florida, we have a payday loan statute that is among the most progressive and effective in the nation. It has become a national standard for balancing strong consumer protections with increased access to credit. It is important that the Consumer Financial Protection Bureau (CFPB) recognize and acknowledge the proactive best practices and radical reforms many lenders that offer payday loans have undertaken, unlike many other sectors in the financial services industry. These reforms, such as the extended repayment plan, encourage the responsible use of short-term loans. I would encourage you to embrace these reforms, and not take actions that would restrict them.

Short-term loans are both unique and necessary. Lenders in this space often offer more convenient and less expensive products and services than the banks where these consumers have relationships. In fact, my first loan to start my law practice was with a shotgun loan company. Banks in my community were granting lawyers signature lines of credit, but would not lend to me as an African American lawyer. In some respects, not much has changed.

American consumers are currently suffering in an environment of skyrocketing costs of credit and severely limited credit options. As demands for short-term and small dollar loans continue to increase as a result of the current economic environment, so called non-traditional and non-bank lenders have filled a void. Now is not the time to further restrict options or eliminate products from the market. We should work to ensure that consumers who want and need payday loans or other similar short-term credit products will continue to have access to them.

I would also strongly urge the CFPB to treat similar products uniformly in its approach to regulation regardless of whether they are offered by banks or non-banks, as well as work to aggressively weed out lenders operating offshore and outside the arms of the law. This is an area that is especially troubling to me, and I strongly urge the CFPB to examine this sector of the short-term credit market that is preying on American consumers.

Finally, it is important to note that during the congressional debate on Dodd-Frank, I was assured by then House Financial Services Committee Chairman Barney Frank that in creating the CFPB, it was not our intent to limit access to credit or deny consumers the choice of a payday loan, but rather to ensure the ability of consumers to make informed choices and encourage lending practices that are fair and transparent. It is my sincere hope that you be mindful of that.

The result of any new regulations your bureau promulgates should not push borrowers out of products that they have affirmatively chosen into more expensive products, thereby increasing consumer debt. We should be looking for effective ways to educate and assist consumers. It is not in consumers' interest for the federal government to outright eliminate access to products and services. Rather, government should ensure that products remain accessible within a transparent and evenly regulated environment.

As you embark on this new role, I commend your continued efforts to protect consumer interests and look forward to working together on this matter and other efforts to ensure the financial well-being of the American people. Thank you for your time and consideration.

Sincerely,

A handwritten signature in blue ink that reads "Alcee L. Hastings". The signature is fluid and cursive, with a long horizontal stroke at the end.

Alcee L. Hastings
Member of Congress