

**H.B. 1214: Payday Loan Reform Act of 2009**  
***Introduced February 26, 2009***  
***By Representative Luis Gutierrez (D-IL)***

**Background**

The Payday Loan Reform Act of 2009, H.B. 1214, was introduced on February 26, 2009 by Representative Luis Gutierrez (D-IL). The bill focuses on the two major concerns with regard to payday loans: the fees charged and the “cycle of debt.”

Among other things, the bill places a national cap on payday loan fees at a total of 15 cents for every \$1.00 borrowed; bans rollovers and requires a repayment plan. Under the bill, payday lenders would be banned from rolling over loans and would be required to give consumers who could not repay their loan when due the option of entering into a repayment plan. The repayment plan will allow consumers to repay the loan over an extended period of time without any additional fees or other charges whatsoever. The bill's repayment plan requirements are generally far stronger than those found in the few state laws that mandate such plans.

These three key provisions—capping fees, prohibiting rollovers and requiring extended repayment plans —would supersede state law provisions when such state provisions are “less consumer-friendly.” In all other areas, the bill's requirements would serve as minimum national standards for consumer protections, with states free to enact tougher payday lending restrictions.

**Talking Points**

- While CFSA has a long-standing record of advocating for responsible regulation of the payday advance industry and strong consumer protections for our customers, we cannot support H.B. 1214, introduced by Congressman Luis Gutierrez.
- The Payday Loan Reform Act of 2009 contains many consumer protections that we do support, some of which are provisions of CFSA's industry best practices that have been codified into many state laws across the country, such as the repayment plan. This, the full disclosure requirements and other protections in the bill are all fully supported and promoted by our association.
- The Payday Loan Reform Act, however, goes too far, most notably in establishing a national fee cap for one small segment of the short-term credit market. We're aware of no other short-term credit product that has a national fee cap, certainly not bank and credit union NSF and overdraft protection fees or credit card late fees. These are the costly products our customers use payday loans to avoid, yet, under this bill their costs would continue to increase, completely unregulated. We cannot support this action against our customers, who will be forced into more expensive and unregulated credit alternatives.

- Congressman Gutierrez’s H.B. 1214 will significantly reduce the maximum fees that have been set by the legislatures in 24 states, while doing nothing to protect lenders from having their fees cut from the bottom end, even to the point of extinction in any state.
- Thirty-four (34) state legislatures have studied payday lending thoroughly and enacted laws that protect their constituents and preserve their access to small dollar short-term credit. This federal bill would pre-empt much of those state efforts.
- Since inception, CFSA has worked constructively with legislators and stakeholders in the states to support successful initiatives to raise industry standards and reform consumer protection statutes. We applaud the efforts of policymakers everywhere who work to achieve these same objectives. But we cannot agree with the specifics of Congressman Gutierrez’ legislation.

## Q & A

### ▪ **What is the legislation introduced by Representative Luis Gutierrez?**

The Payday Loan Reform Act of 2009, H.B. 1214 was introduced on February 26, 2009 by Representative Luis Gutierrez. The bill focuses on the two major concerns with regard to payday loans: the fees charged and the “cycle of debt.” Among other things, the bill places a national cap on payday loan fees at a total of 15 cents for every \$1.00 borrowed; bans rollovers and requires a repayment plan.

### ▪ **How would the legislation impact the payday lending industry?**

The bill contains many consumer protections that we do support, some of which are provisions of CFSA’s industry best practices that have been codified into many state laws across the country, such as the repayment plan. This, the full disclosure requirements and other protections in the bill are all fully supported and promoted by our association.

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- **Does the industry support or oppose the proposed Gutierrez legislation?**

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- **What pieces of the legislation do you support?**

The bill contains many consumer protections that we do support, some of which are provisions of CFSA's industry best practices that have been codified into many state laws across the country, such as the repayment plan. This, the full disclosure requirements and other protections in the bill are all fully supported and promoted by our association.

- **What pieces of the legislation do you oppose?**

The bill significantly reduces the maximum fees that have been set by the legislatures in 24 states, while doing nothing to protect lenders from having their fees cut from the bottom end, even to the point of extinction in any state.

We're aware of no other short-term credit product that has a national fee cap, certainly not bank and credit union NSF and overdraft protection fees or credit card late fees. These are the costly products our customers use payday loans to avoid, yet, under this bill their costs would continue to increase, completely unregulated. We cannot support this action against our customers, who will be forced into more expensive and unregulated credit alternatives.

- **Does the industry prefer the Gutierrez legislation or the bill introduced by Senator Durbin?**

The bill introduced by Senator Durbin is a ban of the industry and we categorically oppose the bill.

Representative Gutierrez's bill, on the other hand, does contain many consumer protections that we support, some of which are provisions of CFSA's industry best practices that have been codified into many state laws across the country, such as the repayment plan. This, the full

disclosure requirements and other protections in the bill are all fully supported and promoted by our association.

The Gutierrez bill, however, goes too far, most notably in establishing a national fee cap for one small segment of the short-term credit market. We're aware of no other short-term credit product that has a national fee cap, certainly not bank and credit union NSF and overdraft protection fees or credit card late fees. These are the costly products our customers use payday loans to avoid, yet, under this bill their costs would continue to increase, completely unregulated. We cannot support this action against our customers, who will be forced into more expensive and unregulated credit alternatives.

▪ **Would this legislation allow you to continue to operate?**

Congressman Gutierrez's H.B. 1214 will significantly reduce the maximum fees that have been set by the legislatures in 24 states, while doing nothing to protect lenders from having their fees cut from the bottom end, even to the point of extinction in any state. The number of payday lenders who could live under this bill would probably be a case-by-case, or state-by-state situation.