

Client Alert

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Lawmakers Request That the CFPB Consult With State Officials Before Proceeding With Its Proposed Rulemaking on Short-Term Lending

By **Obrea O. Poindexter, Joe Rodriguez, and Meredith M. Cipriano**

In an April 8, 2016 [letter to Richard Cordray](#), Director of the Consumer Financial Protection Bureau (“CFPB,” or “Bureau”), Representatives Randy Neugebauer (R-TX) and Mick Mulvaney (R-SC) requested that the Bureau convene a forum of state and tribal officials to discuss their perspectives and experiences with regulating short-term, small-dollar credit products, prior to issuance of any Bureau-proposed rule on the subject.

In the letter, Representatives Neugebauer and Mulvaney criticized the CFPB and Director Cordray for “refus[ing] to concede” that a Bureau rulemaking that sets a regulatory floor on this subject would preempt state law. Arguing that the Bureau has “ignore[d] the popular voice of states and sovereign Indian tribes that have carefully crafted laws to balance consumer protection and access to credit,” the Members of Congress requested that the Bureau host a forum to “ensure that the Bureau carefully considers the perspectives of these [state and tribal] officials as it relates to market trends, access to credit issues, and state regulatory models and experiences.”

The letter follows Director Cordray’s March 16, 2016, appearance before the House Financial Services Committee, during which Representatives Neugebauer and Mulvaney expressed concern that the [CFPB’s outline of proposals](#) to regulate short-term lending products failed to consider the existing state-based regulatory framework for products such as payday loans, vehicle title loans, installment loans, and certain lines of credit.

The Bureau’s March 2015 outline of proposals to regulate certain short-term lending products categorizes provisions for “short-term loans” and “longer-term loans” and considers two different approaches that a lender would be able to choose from: “debt trap prevention” and “debt trap protection.” In February 2016, Director Cordray made [remarks](#) suggesting that, despite feedback received from the industry, the CFPB is unlikely to significantly modify its March 2015 proposal.

A proposed rule is anticipated from the CFPB within the next few months. We will continue to monitor developments relating to the CFPB’s short-term lending proposal.

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