

The Connecticut General Assembly



Press Release

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For Immediate Release

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LAWMAKERS CALL FOR STRONGER FEDERAL PAYDAY LOAN PROTECTIONS

Legislators Call for Strong Agency Rule

Rep. Matthew Lesser (D-Middletown) is pleased to have the support of U.S. Senator Richard Blumenthal, the Connecticut Public Interest Research Group (ConnPIRG) and a large bipartisan group of legislators concerning proposed rule changes on payday lending. Rep. Lesser today spoke about the importance of strengthening a proposed federal rule from the Consumer Financial Protection Bureau to conform with Connecticut policy.

“The CFPB’s proposed rule is a good first step, and it respects the rights of states like Connecticut to set tough rules to protect our residents,” said Rep. Lesser. “But it can and should be strengthened. That’s why a bipartisan group of legislators are saying it should be common sense to tell lenders to make sure borrowers don’t get trapped in a cycle of debt. And the CFPB should copy Connecticut’s lead and apply the same consumer protections that apply to military families to all families.”

In 2015, Connecticut passed some of the strongest payday lending laws in the country, after an out-of-state Indian tribe deliberately flouted Connecticut law. Connecticut now declares loans with illegally high interest rates null and void.

Just yesterday, Governor Malloy held a ceremonial bill signing for HB 5571, new legislation that extends protections of the Military Lending Act, which protects military families from predatory lenders, to all states. Connecticut is the first state in the country with such a law.

"Payday lending is a predatory practice that hurts our most vulnerable citizens who are unable to establish bank accounts," said Rep. Bill Simanski (R-Barkhamsted, Granby, Hartland, New Hartford). "I was proud to sign the letter of support for CFPB's rules on payday lending, as well as helping pass PA 16-65, which strengthened Connecticut's small loan statutes."

As House chair of the Legislature's Banking Committee, Rep. Lesser has been at the forefront of protecting consumers from predatory lenders, a practice that is especially harmful to the most vulnerable individuals.

A ConnPIRG study confirms that unscrupulous lenders are aware their customers are not in a position to repay loans with exorbitant interest rates and other provisions. For example, the study shows the two most serious instances in the payday loan category whereby consumers are blindsided by "communication tactics" and "fees or interest that were not expected." And payday lenders often offer short-term high-cost loans at interest rates averaging 391% APR. These circumstances further complicate a borrower's already tentative financial situation.

"We need to take a stand against predatory lenders," said Sen. Gary Winfield (D-New Haven, West Haven) "These companies circumvent loopholes and are responsible for ruining the lives of individuals and families. They must be held accountable."

"Our financial regulations should protect all American families, not just those institutions too big to fail," Rep Lesser added.