



441 G St. N.W.
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December 4, 2017

The Honorable Michael Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Bureau of Consumer Financial Protection: Payday, Vehicle Title, and Certain High-Cost Installment Loans*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Bureau of Consumer Financial Protection (Bureau) entitled “Payday, Vehicle Title, and Certain High-Cost Installment Loans” (RIN: 3170-AA40). We received the rule on November 13, 2017. It was published in the *Federal Register* as a final rule; official interpretations on November 17, 2017. 82 Fed. Reg. 54,472. The rule is effective January 16, 2018, with some provisions having a compliance date of August 19, 2019.

The Bureau states that the final rule establishes regulations creating consumer protections for certain consumer credit products and official interpretations of the final rule. The rule identifies it to be an unfair and abusive practice for a lender to make covered short-term or longer-term balloon payment loans, including payday and vehicle title loans, without reasonably determining that consumers have the ability to repay the loans according to their terms. For these same loans, the rule identifies it to be an unfair and abusive practice to make attempts to withdraw payment from consumers’ accounts after two consecutive attempts have failed, unless the consumer provides a new and specific authorization to do so. Finally, the rule prescribes notices to consumers before attempting to withdraw payments from their accounts, as well as processes and criteria for registration of information systems, for requirements to furnish and obtain information from them, and for compliance programs and record retention.

Enclosed is our assessment of the Bureau’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Bureau complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Stephen Hayes
Senior Counsel, Legal Division
Bureau of Consumer Financial Protection

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
BUREAU OF CONSUMER FINANCIAL PROTECTION
ENTITLED
“PAYDAY, VEHICLE TITLE, AND
CERTAIN HIGH-COST INSTALLMENT LOANS”
(RIN: 3170-AA40)

(i) Cost-benefit analysis

The Bureau of Consumer Financial Protection (Bureau) estimates that, due to the rule, overall loan volume is expected to decrease by 62 to 68 percent with a corresponding decrease in overall revenues by 89 to 93 percent. The Bureau provides differing ranges of loan volume decreases and revenue losses based on the loan type and other factors. The Bureau also expects lenders to face compliance costs with the procedural requirements of the rule such as obtaining consumer reports, providing information to registered information systems, and having to make ability-to-repay determinations, as well as developing policies and training staff to carry out these requirements. The Bureau also expects consumers may experience increased costs due to increased wait times between applying for and receiving the loan, reduced access to initial loans, limits on loan size and re-borrowing, and reduced geographic availability of short-term lenders.

The Bureau states the rule will benefit consumers by reducing the harm they suffer from the costs of extended sequences of payday loans and single-payment auto-title loans. The Bureau also estimates that the rule will reduce the amount of defaults and delinquencies of payments. The Bureau also states that consumers will save money by reducing the amount of non-sufficient funds fees and returned item fees associated with an unsuccessful payment withdrawal attempt by the lender. Consumers will also benefit from more favorable loan terms according to the Bureau. The Bureau also states consumers will be better protected from having to make difficult decisions between making loan payments or buying basic necessities.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Bureau did not certify that the rule would not have a significant impact on a substantial number of small entities. The Bureau states that it convened a Small Business Review Panel to assist in assessing the impact the rule would have. The Bureau performed a Final Regulatory Flexibility Analysis, which is included in the final rule along with responses to comments.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Bureau is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The Bureau held five field hearings in connection with planning for and releasing the proposed rule. The Bureau published the proposed rule on July 22, 2016. 81 Fed. Reg. 47,864. The Bureau received more than 1.4 million comments from consumers and consumer advocacy groups, national and regional industry trade associations, industry participants, banks, credit unions, nonpartisan research and advocacy organizations, Members of Congress, program managers, payment networks, payment processors, fintech companies, tribal leaders, faith leaders and coalitions of faith leaders, and state and local government officials. The Bureau responded to the comments in the final rule, which was published on November 17, 2017. 82 Fed. Reg. 54,472.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Bureau states the rule will have new information collection requirements. Because of this, the Bureau has submitted an information collection request to the Office of Management and Budget for approval. The Bureau estimates that the total annual burden hours to provide the required information under the rule to be 8,199,815 hours. The Bureau did not provide an estimated monetary cost of the information collection.

Statutory authorization for the rule

The Bureau promulgated the rule under 12 U.S.C. §§ 5511, 5512, 5514(b), 5531(b), (c), and (d), and 5532.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Bureau is not subject to the requirements of the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Bureau is not subject to the requirements of the Order.