

Google is right to target predatory lending

Beverly Brown Ruggia

Guest Columnist

Google delivered a significant victory for consumer financial protections in New Jersey last month, when it announced it will no longer permit lenders to advertise payday loans or any loan with an APR that is more than 36 percent on its website.

Apparently, the second-largest brand in the world, the leading U.S. internet search provider — with about 50 percent of the 2015 online advertising revenue in the U.S. — agrees with consumer advocates that payday loans, car title loans and the like are deceptive and harmful. The new policy goes into effect July 13.

Thank you, Google!

This is good news for consumers everywhere, but is especially significant for New Jersey, New York, Pennsylvania, 11 other states and the District of Columbia where payday lending is illegal.

Disarming the payday loan industry of Google AdWords will curtail the ability of payday lenders to prey on consumers who live in payday loan-free states, which they do now through internet ads and local lead generators with impunity. In one fell swoop, Google's policy has drawn a definitive line in the sand of big business ethics and will achieve what government has failed to do thus far: take meaningful action toward preventing predatory payday lenders from circumventing state law and marketing to New Jersey consumers online.

Still, an internal private corporate policy is not law. It is not binding and cannot offer broad enough protections to stop an \$8.7 billion (according to Families Can't

Wait) industry, its lobbyists and pro-Wall Street legislators, including New Jersey Congressman Scott Garrett (R-5th Dist.) from fighting hard to protect its lucrative profits. And so far, the federal government and Congress have done little to rein in or end the payday industry's exploitative practices.

But after a long hard advocacy campaign to #StopTheDebtTrap and with a bit of good fortune, that inaction may have just ended. Last week, the Consumer Financial Protection Bureau (CFPB) released proposed regulations for payday lending nationwide.

The rule is a good start, but lacks a requirement for an ability-to-repay assessment in all payday loans. It also fails to declare violations of our state's usury and other consumer protection laws unfair, deceptive and abusive acts or practices. The only principled and effective option for the CFPB is to employ its fullest powers to set a strong regulatory standard in the marketplace that protects consumers in every state and does not undermine the toughest existing state laws or provide safe havens anywhere else.

The payday industry claims that it provides a service that consumers need. But the unfair, deceptive and predatory nature of payday lending is self-evident:

- There is no rational or moral argument that can be made to justify loans with interest rates and fees that average 400 percent.

- Almost half of short-term loans borrowers take out 10 loans in a 12-month period.

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- Some 75 percent of the payday industry's revenues are generated by these repeat borrowers who default on unrealistic loan terms and are caught on a hamster wheel of renewals.

- It is blatantly disingenuous to suggest that payday loans are helpful to people who do not have the ability to pay them back.

- It is deceptive to promote a service with a structure designed to undo the outcome it is marketed to provide.

With a flat 30 percent usury cap in place, New Jersey has a perfectly good law that should protect consumers from debt trap loans. What we need are federal regulations

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that reinforce our laws and prevent lenders from marketing and issuing toxic payday loans to New Jerseyans online.

Now that the CFPB has released its proposed rule, the public will have 90 days to comment. I urge you to write the bureau's director, Richard Cordray, and tell him to keep New Jersey debt-trap-free by issuing the strongest final rule possible.

Tell him to Google it: payday loans are deceptive and harmful.

Beverly Brown Ruggia is the community reinvestment organizer at New Jersey Citizen Action.

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