

Shark week warning at Shore

Predatory lenders feasting on unsuspecting consumers in Jersey, elsewhere



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This month thousands of New Jerseyans just like me will hit the beaches with family and friends for yet another beautiful season at the Jersey Shore. Born and raised in Bradley Beach, I

have enjoyed this summer rite for almost 70 years. There is no place like the Jersey Shore. But this season I am sending out an SOS about an army of sharks that attacks 12 million Americans every year and, sadly, they count New Jersey as one of their hunting grounds.

I am not talking about the ocean-going sharks. I'm talking about predatory payday loan sharks who swim into our smartphones and computers with debt trap jaws that clamp down on unsuspecting consumers surfing the Internet.

I'm talking about predatory lenders who prey on people who are struggling to make ends meet and to take care of their families. I am talking about payday and car title lenders who are nothing more than legal loan sharks charging exorbitant fees and interest that together can total 400 percent. Even in New Jersey, 13 other states and the District of Columbia, where high cost payday loans are prohibited, these payday predators bleed their victims dry via the Internet as bills pile up and borrowers default on credit cards, lose bank accounts and cost our economy millions.

"Janice," (her real name is withheld here for privacy) who lives in central New Jersey knows all too well about this kind of shark attack. She was in the midst of a divorce and fell behind with her legal bills and unexpected costs related to a hospital stay and medication for her son. She was the perfect prey for a payday lender who offered her an \$800 payday loan in October of 2014. By the time, "Janice" refinanced (after losing her job), paid bank fees and settled with her lender more than a year later, that legal loan shark got \$4,000 from her, at 400 percent interest to repay the original \$800 loan.

Janice's story is far from unique, but she found a life line out from the grips of the jaws of the payday shark when she made a complaint to the Consumer Financial Protection Bureau. Once the lender got word that she had made the complaint, it forgave the remaining balance and Janice's nightmare was finally over.

Today, we finally have a chance to stop the payday loan shark feeding frenzy in New Jersey and across the country. The Consumer CFPB has issued the first national rules to regulate small-dollar lending nationwide. The CFPB rule does address key dangers inherent in predatory payday and auto title loans, but the rule is not as comprehensive as it should be and could appear to sanction the industry enough to undermine existing state protections. The CFPB's proposed rule needs to be stronger to prevent payday lenders from making any loans without assessing whether the borrower has the ability

to repay and from marketing them to our states online.

The rule is a good start, but we urge the CFPB to employ its fullest powers to issue a final rule that requires an ability-to-repay assessment across the board. We urge the bureau to declare any violation of our state's usury and other consumer protection laws an unfair, deceptive and abusive act or practice. New Jersey needs a final rule that bolsters and does not undermine our toughest existing state laws or provide safe havens anywhere else.

The Center for Responsible Lending estimates that consumers in New Jersey would be paying more than \$340 million in fees and interest to payday lenders annually if not for our strong usury cap. New Jerseyans like Janice are still feeding the predatory payday loan sharks far too much money. Those hard-earned dollars could be kept in state and spent on the Jersey Shore, or in other parts of the state in need of an economic boost.

The public has until Sept. 17 to comment on the proposed rule and I urge everyone to write the bureau's director, Richard Cordray — the consumer finance life guard — and tell him to keep New Jersey payday loan shark predator-free by issuing the strongest final rule possible. #StopTheDebtTrap.

Phyllis Salowe-Kaye is executive director of New Jersey Citizen Action, a statewide grassroots organization that fights for economic and social justice.

