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Payday Lenders

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Assemblyman John McKeon (D-West Orange). (Photo: Kevin Sanders for New Jersey Globe)

Activist, lawmakers rail against rule change benefiting payday lenders

By Nikita Biryukov, September 03 2020 4:06 pm

Activists and some ranking New Jersey Democrats railed against the Trump administration's move to rescind a federal rule requiring payday lenders ensure their borrowers could afford to repay their loans.

"This action is cruel and foolish and it will unleash predatory practices on the most vulnerable," State Sen. Nellie Pou (D-North Haledon). "The proposed rule is nothing less than an attempt to preempt protections we have on the books and evade state laws designed to protect people. It's a shell game that would allow

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predatory lenders to bypass longstanding New Jersey protections and prey on our most vulnerable residents.”

In July, the Consumer Financial Protection Bureau pulled a rule that required payday lenders to check borrowers’ finances and ensure they could afford to repay their loans, as banks do.

Payday loans carry staggering an average interest rate of 400%, or many times higher than personal loan rates, which tend to top out around 28%.

“Predatory lenders, under this proposed rule, would be given carte blanche to evade state law and take advantage of working-class and poor residents in New York and New Jersey,” said Assemblyman John McKeon (D-West Orange). “400% interest rates will turn a two-week \$200 loan into a 5-month loan paying \$800 in interest under this ruling. That’s a catastrophe in the making for working families and for our most vulnerable communities trying to survive in a pandemic which has cost them jobs and placed a severe strain on their finances.”

Democrats and activists have opposed the rule since its announcement. U.S. Sen. Elizabeth Warren (D-Mass.), who is largely responsible for CFPB’s creation, called the rules change “appalling.”

“Predatory lenders should not be enabled to prey on consumers by evading state laws. The Trump administration’s actions would bypass longstanding protections in New Jersey and New York that were put in place to shield our most vulnerable residents from getting trapped by these lenders,” New Jersey Citizen Action Executive Director Phyllis Salowe-Kaye said.

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