

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

May 1, 2020

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 Third Street, SW
Washington, D.C. 20416

Secretary Mnuchin and Administrator Carranza:

I write in support of small business owners across the country who deserve sustainable and responsible access to credit, especially during this difficult time. It is critical that legitimate and eligible small businesses, including minority-owned businesses, receive fair access to the Paycheck Protection Program (PPP). However, I urge you to reject attempts by predatory companies, including payday and car-title lenders, from having access to PPP loans.

As the Financial Services Committee has learned from experts,¹ payday and car-title loans offer products with an annual percentage rate (APR) of 391 percent on average.² Many consumers who take out payday loans get caught in a debt trap when they roll those loans over when they come due and take out up to ten such loans a year. Car-title borrowers generally refinance their loan up to eight times. One out of five car-title borrowers lose their car in repossession.³ Experts have found that payday loans often target communities of color, military veterans, and seniors, charging billions of dollars a year in unaffordable loans to borrowers with an average annual income of \$25,000.⁴ Many payday and car-title loans force people that are already underbanked and struggling financially into worse circumstances. Borrowers who are unable to repay these predatory loans can lose their bank accounts or vehicles, and may be forced into bankruptcy. Research shows payday loans cost over \$4.1 billion in fees a year for those persons in states that allow triple-digit interest rate payday loans. Car-title loans cost consumers over \$3.8 billion in fees annually. Together, these loans cost consumers nearly \$8 billion in fees every year.⁵

Given these facts and the harm these institutions have inflicted on consumers, there is no reason why Congress, SBA or Treasury should bail out these predatory lenders. Instead, I urge you to prioritize providing PPP loans to the millions of responsible small businesses who are pillars in communities across the country and warrant immediate support.

Sincerely,



MAXINE WATERS
Chairwoman

CC: The Honorable Patrick McHenry, Ranking Member, House Committee on Financial Services

¹ <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=403646>

² <https://www.responsiblelending.org/research-publication/debt-trap-triple-digit-interest-rate-loans-payday-car-title-and-high-cost>

³ <https://www.consumerfinance.gov/about-us/newsroom/cfbp-finds-four-out-of-five-payday-loans-are-rolled-over-or-renewed/>

⁴ <https://financialservices.house.gov/uploadedfiles/hhrg-116-ba15-wstate-standaertd-20190430.pdf>

⁵ https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_statebystate_fee_drain_may2016_0.pdf