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August 5, 2020

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

The Honorable Maxine Waters
Chairwoman
The Honorable Patrick McHenry
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-AA80). We received the rule on July 22, 2020. It was published in the *Federal Register* as a final rule on July 22, 2020. 85 Fed. Reg. 44382. It has an effective date of October 20, 2020.

According to the Bureau, the final rule amends its regulations governing payday, vehicle title, and certain high-cost installment loans. Specifically, the Bureau stated it is revoking provisions of those regulations that provide that it is an unfair and abusive practice for a lender to make a covered short-term or longer-term balloon-payment loan, including payday and vehicle title loans, without reasonably determining that consumers have the ability to repay those loans according to their terms; prescribe mandatory underwriting requirements for making the ability-to-repay determination; exempt certain loans from the mandatory underwriting requirements; and establish related definitions, reporting, recordkeeping, and compliance date requirements.

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. 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 Shari Brewster, Assistant General Counsel, at (202) 512-6398.

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Kathleen L. Kraninger
Director
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-AA80)

(i) Cost-benefit analysis

The Bureau of Consumer Financial Protection (Bureau) estimated a substantial increase in short-term payday and vehicular title loans as well as a corresponding increase in revenues for lenders. The Bureau stated its simulations showed a 104 to 108 percent increase in the number of short-term pay day loans with a 204 to 213 percent increase in revenues from those loans compared to the baseline. The Bureau also stated its simulations showed an 809 to 1,329 percent increase in the number of vehicular title loans with a corresponding increase in revenues.

The Bureau estimated the final rule would improve physical access to credit to consumers, especially in rural areas, by way of an increase in the number of storefronts. The Bureau stated the increase in storefronts is more likely to benefit small lenders and lenders in rural areas more than lenders in areas of higher population density. The Bureau also estimated increased revenues would keep lenders in the market who might have otherwise left the market. Finally, the Bureau stated remaining benefits and costs would be much smaller in economic impact and importance. According to the Bureau, most of these impacts manifest as reductions in administrative, compliance, or time costs that compliance with the 2017 Final Rule would entail; or as potential costs from revoking aspects of the 2017 Final Rule that could have decreased fraud or increased transparency.

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

The Bureau certified the final rule would not have a significant economic impact on a substantial number of small entities.

(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.*

On February 14, 2019, the Bureau published a proposed rule. 84 Fed. Reg. 4252. The Bureau received approximately 197,000 comments from consumer groups, trade associations, non-depository lenders, banks, credit unions, research and advocacy organizations, Members of Congress, industry service providers, fintech companies, tribal leaders, faith leaders and

coalitions of faith leaders, and state and local government officials and agencies. The Bureau addressed the comments in the final rule.

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

The Bureau determined the final rule revokes the information collection requirements (ICRs) for the mandatory underwriting requirements in 12 C.F.R. pt. 1041, associated with Office of Management and Budget (OMB) control number 3170-0065. The Bureau has sent a revised ICR request to OMB for the provisions of 12 C.F.R. pt. 1041 not impacted by the final rule. The new ICR will be associated with OMB control number 3170-0071.

Statutory authorization for the rule

The Bureau promulgated the final rule pursuant to sections 5511, 5512, 5514, 5531, and 5532 of title 12, United States Code.

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

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

Executive Order No. 13,132 (Federalism)

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