In The Matter Of:

A Field Hearing on Payday Lending

January 19, 2012

Bain & Associates Court Reporting Services, Inc.
505 20th Street North
Suite 1250
Birmingham, AL 35203
Toll Free: 1.888,326.0594

Original File CFPB Field Hearing 01-19-2012 corrected.txt

CONSUMER FINANCIAL PROTECTION BUREAU

A FIELD HEARING ON PAYDAY LENDING

Birmingham-Jefferson Convention Complex
2100 Richard Arrington Jr. Blvd. North
Birmingham, Alabama 35203

January 19, 2012
12:05 p.m.

PANELISTS

CFPB PANEL

Mr. Raj Date, Deputy Director (Chair)

Ms. Peggy Twohig, Assistant Director for the Office of Nonbank Supervision

Ms. Gail Hillebrand, Associate Director for Consumer Education & Engagement

Ms. Patrice Ficklin, Assistant Director for the Office of Fair Lending and Equal Opportunity

* * * * * * * * * * *

PANEL I, CONSUMER

Ms. Marcella Roberts, CEO, Building Alabama Reinvestment

Ms. Shay Farley, Legal Director, Alabama Appleseed

Ms. Shirley Worthington, VP of Community Initiatives, United Way of Central Alabama

Mr. Stephen Stetson, Policy Analyst, Alabama Arise

PANEL II, INDUSTRY
Mr. John Owen, Senior Executive Vice President,
Head of Consumer Bank, Regions Financial Corp.
Mr. Ted Saunders, CEO, Community Choice
Financial, Inc.
Mr. Daryl McMinn, Chief Operations Officer,
Listerhill Credit Union
Ms. Kim Gardner, Cash USA
* * * * * * * * * * *

PROCEEDINGS:

REP. SEWELL: Good afternoon. I think we're ready to get started. My name is Congresswoman Terri Sewell, and I'm honored to represent the 7th Congressional District, which includes this great city of Birmingham. For those of you who are visiting Birmingham for this hearing, welcome, and feel free to spend all of your money in our great city. I'm sure the council members who are present and our mayor would be very excited if you did. We have wonderful civil rights landmarks to visit and enjoy.

As you know, the Wall Street Reform and Consumer Protection Act of 2010 created the Consumer Financial Protection Bureau, a new agency designed for the full purpose of protecting all of us, the consumer. This agency has been charged with the responsibility of preventing fraud, deception and unfair business practices in the marketplace. It has seven divisions that are responsible for carrying out these objectives. This agency is led by the very able director, Richard Cordray, who was recently appointed a few weeks ago by President Obama. And as many of you know, there's an ongoing debate about the timing of this appointment. As all of you know, the issues about consumer protection really require our immediate attention, and we can no longer wait.

(Applause.)

REP. SEWELL: We'll leave it up to the lawyers and to the Courts to resolve that issue.

President Obama and all of us are very excited about Richard Cordray's appointment, and I know that under his leadership, that this Bureau will get down to the business of protecting all of us consumers. As our country continues to recover from this economic crisis, we must not only provide incentives for businesses to create jobs, but we must also provide protections for consumers that they serve. This cannot and should not be an either/or proposition.

But before I introduce Director Cordray, I would like to introduce a very dear friend of mine, Attorney Joyce Vance, who is the U.S. Attorney for the Northern District of Alabama. Attorney Vance is the top-ranking federal law enforcement official in the Northern District of Alabama and was one of the first five U.S. Attorneys nominated by President Obama. Confirmed on August 7th, Attorney Vance serves 31 counties and more than four million people, approximately 60 percent of the Alabama population.

Attorney Vance has made it a priority to fight financial fraud, public corruption, terrorism, environmental crime, child exploitation, violent crime, narcotics and has a very impressive record in returning funds to the public through asset forfeiture. I am very honored to have my friend on this day with me to welcome the Bureau director and to welcome all of you.
Attorney Joyce Vance.

(Applause.)

U.S. ATTORNEY VANCE: I always have to adjust this down. Good morning.

AUDIENCE MEMBER: Good morning.

U.S. ATTORNEY VANCE: I think it's exciting to see so many people here interested in having an open exchange of ideas and learning information about a topic that is new to many of us. As U.S. Attorney, one of my most important jobs is to insure that we have an important dialogue on issues that affect all of us, and I'm eager to hear the information that's about to be put in front of us.

As United States attorney, finance-sector issues are one of my highest priorities, and my office works every day with agencies like the FBI, the Federal Reserve, the Secret Service, TARP and the FBI to insure that we're appropriately engaged and alert to issues that impact on citizens in this district so that we can enforce federal law. Those agencies do an important job and an impressive job of dealing with problems that we can identify.

But as we all know, the laws that exist were insufficient to prevent the financial meltdown. Partially in response to that situation, Congress passed legislation that conceded -- that created the CFPB, and we are eager to begin working with them. We have seen in this district numerous instances of financial fraud. We have prosecuted credit card fraud, we have dealt with identity theft. We have seen an incredible increase in mortgage fraud issues. These issues involve individuals, both inside and outside of the lending industry; and for some time now, we have begun to hear these concerns about payday lenders. We've heard much expression of interest in exploring the issue. So I am, as I said, eager to hear the information we're about to hear today. And I am extremely delighted that we have Rich Cordray here with us, that he has come to Birmingham so that we can begin to have this educational opportunity.

Some of the folks here today, and perhaps many of the people who live in this district, may not yet fully understand the role that Congress created the Consumer Finance Protection Bureau to play. Some understand the dangers that exist in unregulated and underregulated financial industries, but I think not all people are aware of the large number of folks who live in this district who are vulnerable to financial fraud and to predatory lending practices.

According to 2009 FDIC survey results,

more than 11.5 percent of all Alabama households did not have a checking account or any sort of savings account, and more than 20 percent of all Alabama households have had to turn to a payday lender, a check-cashing outlet, a pawn shop or other sort of refund-anticipation product to make ends meet at one point or another. These numbers make Alabama the sixth most unbanked state in the nation, and Birmingham, for cities of its size, is the fifth most unbanked city in the country. Our need to explore these issues here is very great.

We understand that many alternative lending resources and the businesses involved are good corporate citizens, but we do have concerns about fraudulent or predatory practices. The lack of regulation and oversight in this industry creates an opportunity for those who are unscrupulous to take advantage of those who are the most vulnerable. And my job is to protect all of the citizens, including those who are vulnerable from problems. So I'm looking forward to the opportunity to hear both from impacted citizens, but also from the industry about where they believe their problems and what they think the solutions might be.

We have people living in rural parts of Alabama where services are hard to find. We have military populations who, we have learned, are vulnerable in many of these situations.

I welcome Director Cordray to Alabama. I hope that he will help us find good solution to the problems we identify here today, and I look forward to working with many of you in the future to insure we take appropriate steps to protect everyone in this community.

Thank you.

(Applause.)

REP. SEWELL: As all of you know, we're here today to begin the examination of payday lending industry. Given these challenging economic times, many of my constituents in the 7th Congressional District and families across this country rely upon payday loan industry to satisfy many of their everyday needs for short-term cash. However, there are some bad actors in this industry that operate outside the law, and these actions are unacceptable, the predatory practices. These actions must quickly be addressed by the Consumer Financial Protection Bureau. Ultimately, this industry must do a better job of educating and providing more transparency about the products and services that they offer.

I applaud the State of Alabama and the City of Birmingham for working hard to implement laws and regulations to protect consumers from bad actors. It is my hope that the Bureau will create and implement a balanced approach to its regulations on these nonbank service providers, while punishing the bad actors that only seek to take advantage of consumers.

At this time, I'd like to introduce the director of this Bureau, Director Richard Cordray. Richard Cordray was appointed by President Obama on January 4th to lead the United States Consumer Financial Protection Bureau. The Director has a long history of effectively protecting consumers. He most recently served as the Attorney General of Ohio and served as the Treasurer of the state of Ohio. He served as a member of the Ohio House of Representatives and was Ohio's first State Solicitor.

As the director of the Consumer Financial Protection Bureau, he will be an effective and strong advocate for interests of consumers and will work to make sure that families and communities and consumers all around have the necessary tools to make the best possible choices.

I've got a little-known fact that some of you would find quite interesting about our new director. He was a Marshall scholar at Oxford University. He was editor in chief of the University of Chicago Law Review and subsequently served as law clerk for Supreme Court Justice Anthony Kennedy. And Richard also was a 1987 undefeated five-time Jeopardy champion. He knows a little bit about financial literacy, as well as financial games and gamemanship.

Listen, I could not be more proud of the fact that the Bureau chose to come to Birmingham, Alabama, for its first field hearing, and it is with immense pride that I welcome to the state of Alabama and to the city of Birmingham the director, Richard Cordray.

(Applause.)

MR. CORDRAY: You never can escape your past.

Thank you, Congresswoman Sewell. I also want to recognize some of the other officials here. I know there are many, and I will miss a number of them. But that -- we are pleased to have staff from Congressman Bachus's office here today as well, and we are pleased to have and to be joined by my friend, your federal prosecutor for this part of Alabama, Joyce Vance.

I also want to recognize the Alabama Superintendent of Banks, who is here with us today, John Harrison; the Alabama Director of the Securities Commission, Joe Borg, whom I met a few moments ago; Stephen Hoyt, the President Pro Tem of the Birmingham City Council. And I know there's others that I'm glossing over.

But what I want to say is, what we find as we go around the country -- and it's very important for us to get out of Washington and hear from people firsthand on all sides of these issues -- that there is deep interest, we find, among federal, state and local officials of all backgrounds, of all experiences in the issues that affect everyone, the people in our community, consumers. And there is a deep concern and desire to work with us to find the right approach to these issues so that we can improve the lives of the American people. That's what we're all about, and that's why we're here today. So we are in Birmingham, as was mentioned, to hold the Consumer Bureau's very first field hearing on any issue, and today's field hearing is dealing with the subject of payday lending.

Many of the other events of the day for us are being held at the Civil Rights Institute. And so it's fitting to refer to Dr. Martin Luther King, Jr., who once said, The dignity of the individual will flourish when the decisions concerning his life are in his own hands, when he has the means to seek self-improvement.

At the Consumer Financial Protection Bureau, we deeply believe in empowering people so they can make informed financial decisions and take responsibility for those decisions.

Before we open this hearing, I'll take a few minutes to discuss the payday lending market and our role in overseeing it. Let me stress again that this is a field hearing. We came here to listen, to learn and to gather information on the ground that will help inform our approach to these issues. We're thinking hard about these issues, and we do not have all the answers worked out, by any means.

So let me describe the subject for today. Payday loans are short-term, high-cost loans made in exchange for a commitment to repayment from the person's next paycheck. According to reports from the industry, about 19 million American households are currently choosing to borrow money through payday loans. Payday lending as we know it has grown rapidly since the 1990s. Today, payday loans are readily available online, and in many areas in storefronts, even in strip malls. Some traditional banks are now offering a similar product called a deposit advance or by similar rubric.

Payday loan store fronts are scattered throughout the country, in some places more than others. Alabama has one of the highest concentrations of payday lenders in the United States. There's been such a growth in payday lendors in Birmingham that your city council last month passed a six-month moratorium on any new payday lenders setting up in the city. We knew that in coming here we would hear a robust debate on both side of this issue.

So just who is using payday loans? From what we've seen so far, families that who out a payday loan tend to have less income, fewer assets and lower net worth than the average family. Surveys indicate that payday borrowers are disproportionately people of color. People often are responding to an emergency that requires quick access to cash. It appears that a significant share of payday borrowers do not have savings or a credit card, and many like the payday option because it is relatively anonymous, quick and easy. A borrower can have the money in half an hour, and other family members may not have to find out about the loan.

Whatever their reasons may be for taking out a payday loan, Americans are now borrowing billions of dollars this way. Lenders collect over $7 million in fees alone annually. In a pinch, getting the cash you need can seem worth it at any cost. Maybe you would never dream of paying an annual percent annual rate of 400 percent on a credit card or any other type of loan, but you might do it for a payday loan. When you're desperate, the terms of the loan seem to matter a lot less. You need the money. You need it now. Rightly or wrongly, people faced with tough situations often think these payday loans are their only options. It matters on this issue that we all look to develop a more vibrant, competitive market for small consumer loans.

At the Bureau, we now have the authority to examine nonbank payday lenders of all types and sizes, as well as large banks that offer deposit advance products. We've already begun examining the banks and will be paying close attention to these products at the banks that offer them. And this month we have launched our examination program for nonbank financial firms, as well.

Today, we're releasing our short-term, small-dollar lending procedures, which is the field guide for our examiners across the country who will be visiting both banks and payday lenders to see firsthand how they conduct business. Our examination authority is an important tool that will allow us to inspect their books, ask tough questions and work with them to fix any problems we uncover. This includes looking at the materials and strategies that are used to market the loans.

Before this month, the federal government did not examine payday lenders. Some state regulators have been supervising payday lenders for compliance with their state laws. We hope to use our combined resources as effectively as possible. So now the Bureau will be giving payday lenders much more attention. This is an important new area for us, as we see it. And the purpose of this field hearing and the purpose of all our research and analysis and outreach on these issues is to help us figure out how to determine the right approach to protect consumers and insure they have access to a small loan market that is fair, transparent and competitive.

At the Bureau, we hear from consumers all across the country. One person from Michigan told us of having to use payday loans several times and wanting them to remain available because alternatives did not exist. And so I want to be clear about one thing: We recognize that there is a need and a demand in this country for emergency credit. At the same time, it's important that these products actually help consumers and not harm them.

A lack of supervision prior to this at the federal level means there's a lot we do not know about some of the inherent risks associated with payday products. Through forums like this and through our supervision program, we will systematically gather data to get a complete picture of the payday market and its impact on consumers. This assessment will allow us to better choose among the tools we have available at the

Bureau to balance the needs of consumers with the risks they face.

For example, we hear a lot about repeated, long-term use of payday loans. We plan to dig deep on this topic to understand what consumers know when they take out a loan and how they're affected by long-term use of these products. For borrowers who are already living paycheck to paycheck, it may be difficult to repay the loan and still have enough money to pay other bills. Trouble strikes when they cannot pay back the money. That two-week loan rolls over and over and turns into a loan that the consumer has been carrying for months and months. Soon they're living off money borrowed at a rate of 400 percent.

One consumer wrote a tell-your-story on our website about borrowing $500 to pay for car repairs. In nine months, $900 has now been paid out, $312 more to go. The payday lender takes the money directly from the consumer's checking account and not enough is left to pay other bills.

In addition to the things we need to

learn more about, we know that some payday lenders are engaged in practices that present immediate risks to consumers and are clearly illegal. While we need to learn more about the prevalence of this conduct and what allows it to fester, where we find these practices, we will take immediate steps to eliminate them.

One example is unauthorized debits on a person's checking account. These can occur when, unbeknownst to them, the consumer's dealing with several businesses hidden behind the payday loan. When consumers are shopping online for a payday loan, the person advertising the loan may not be the same person as the lender and may simply be gathering and selling the customer's information. The highest bidder may be a legitimate lender, but it could also be a fraudster that has enough of the consumer's sensitive financial information to make unauthorized withdrawals from their bank account.

Another example is aggressive debt collection tactics involving payday loans, either by the lenders themselves or by debt collectors acting on their behalf. These can include posing, as we've heard, as federal authorities, threatening borrowers with criminal prosecution, trying to garnish wages improperly and harassing the borrower as well as their families, friends and coworkers. These illegal practices are outrageous. We want to root them out where we find them, and we want to work with responsible parties in the industry to prevent them from spreading.

Let me say to all of you that it is a privilege for us to visit Birmingham, where so many people endured police dogs and fire hoses in their pursuit of freedom. The fundamental principles of dignity and equality that empowered the Civil Rights movement also animate our work at the Bureau. Dr. King showed the whole world how determination and imagination and perseverance in service of a great cause could move not only the course of institutions, but the trajectory of an entire society.

The work of the Bureau is more modest. It is not designed to redeem fundamental constitutional principles of American life, but we are here to make sure that fundamental fairness for all consumers is assured when they need to borrow money. And we can do that. Working with you, we can find and expose the hidden risks, we can make sure that people are able to pursue their hopes and dreams by working with responsible businesses to make informed financial decisions.

In this field hearing, please share your thoughts and experiences with us. If we don't get to you today orally, share them with us in writing. Tell us what works and what does not. Tell us how we can do our small part to achieve Dr. King's vision of an America where we all have a chance to achieve our deepest aspirations.

Thank you very much.

(Applause.)

MR. DATE: Good afternoon. I'm Raj Date. I'm the deputy director of the CFPB. As we move to the next phase of our hearing here, can I be joined by our first panel and by the CFPB serving with me on the first panel.

(Consumer panel seated.)

MR. DATE: Okay. Again, I'm Raj Date, and it's very much my pleasure to be able to chair this component of our hearing. Thank you all for being here. I had not seen the room from this vantage point before, and I am very pleased that you've made the time. And thank you also to our panelists, both this first panel and the second panel.

Before we get started, why don't I run through the format of how we're going to move forward right now.

Our first panel, which consists of civil rights and consumer advocates from Alabama, will provide testimony for about three minutes each and then will take questions from the CFPB staff at this table. Then we'll turn to a panel of industry representatives, which will follow the same format.

Following both of those panels, Director Cordray will come back up, and he will moderate the audience testimony component of the hearing. Those wishing to provide comment during this portion should sign their names at the registration desk, and we will obviously make every effort to hear from everyone. I think it is a mortal lock that we will not get to all of the comments, so I'm just going to go ahead and guess that.

However, over the course of the next several days, we'll put the transcript of this proceeding on our website, which is consumerfinance.gov. And when we do that, we'll also enable folks to be able to provide written comments and testimony at that time. So, if, in fact, we don't get to everyone, I apologize, and I'll make sure that it's okay for us to hear from you.

With that, why don't I introduce the CFPB staff. Immediately to my right is Patrice Ficklin. Patrice is the assistant director for the Office of Fair Lending and Equal Opportunity at the CFPB. To Patrice's right is Gail Hillebrand. Gail is the associate director for Consumer Engagement in Education, which includes, of course, among other things, the important task of financial education, which is part of our mandate. To my left is Peggy Twohig. Peggy leads our nondepository supervision team. She serves as assistant director for the CFPB.

I will now turn to our first panel. Moving from left to right, Shay Farley, who is the legal director at Alabama Appleseed; Marcella Roberts, the CEO of Building Alabama Reinvestment; Stephen Stetson, who is the policy analyst for Alabama Arise; and finally, at the end, Shirley Worthington, vice president for Community Initiatives at United Way of Central Alabama.

So thank you all for being here, and why don't we begin with you, Ms. Farley.

MS. FARLEY: Just to reiterate, thank you for recognizing the urgency of the situation here in Alabama. So I appreciate your visit.

So very briefly, my job is to give you the first course and fifth course, so I will start with a brief overview of the Alabama law as it exists and where we are. Very briefly.

Alabama's First Consumer Protection statute came in 1959 with the Small Loan Act. The legislative findings in this law -- there were many, about seven or eight, but I'll summarize them in two. One is the importance of lending to high-risk, low-income borrowers; and two, the interest of the State to protect exploitation of said borrowers.

Then came a special carve-out, almost a governmental regulation, if you will, of payday loans specifically. This is called the Deferred Presentment Services Act.

There are four big fallacies as I see them. One, there's no reporting requirements of this industry. Two, there's no centralized database; therefore, there's no concrete data and incomplete oversight of our superintendent of banks. And I'll get to that in a second. The third is there's no private right of action that exists in the Small Loan Act, as we do in other (indiscernible) --

(Microphone activated.)

MS. FARLEY: -- the Small Loan Act.

Hey.

And fourth, there's no steep penalties for compliance, again, as there was in the Small Loan Act, or is.

The Small Loan Act, it's important to note, is a 36-percent interest rate, whereas the

Deferred Presentment Services Act is a four hundred -- did I say 36 percent? It is 456 percent for the DPSA.

The State Banking Department, while overseeing this, is also responsible for many things, including the Small Loan Act, title pawns, so their auditors simply do not have the time to do what's necessary without the centralized database.

CRL projections have already been discussed by the director for us. But just know here in Alabama we have approximately 1,069 storefronts. 80 of those are present within the city of Birmingham, specifically payday loan licensees. The trend is towards deregulating -- not deregulating -- towards capping interest rates or outright banning these. 17 states have acted as such.

Again, fifth course. CFPB -- many of the things that the director has mentioned in his opening comments will be reiterated. But just like the IRS instituted a rule that protects consumers from refund-anticipation loans, or RALs as they are known colloquially, we ask that there be rules developed by the Bureau.

A few things. One, as has already been said, they are charged with looking at unfair, deceptive, abusive practices. I believe, as we'll get to in a minute, that these practices are -- fall into those three categories. We can classify them as such and outright ban them or cap the inter- -- we're not allowed to cap the interest rate. But going from that, equalizing the playing field. We know that traditional lending institutions are already engaging in these products. To equalize the playing field.

We will regulate without regard to who is initiating the funds.

Disclosures that mirror what we've done with the credit card statements.

Strict underwriting terms. There is no looking into the borrower's ability to repay. However, we can regulate that at this level.

A national database that the CFPB has access to, filtering in these user comments to bolster those reports.

Advertiser rules. Financial

education, we know, is insufficient for loaning.

Steep penalties for noncompliance, again, nationally.

Ban waivers on trials and class actions, including mandatory arbitration.

Set minimum loan terms so that we -- by expanding the term of indebtedness, you therefore shrink the APR.

Cut off access to banks.

Be a countervoice and testify before Congress, as I know you're already doing.

Cast the net to expand these military protections to veterans. Alabama is home to 400,000 veterans that were not encapsulated in the protections by Congress, the 36-percent rate cap.

Stop electronic access. I think the director already referenced those -- online consumer kind of outreach.

Adopt a rule, much like the FDIC and the NCUA have already looked at, with encouraging their entities to loan at a moderate interest rate.

And, again, that's my introduction.

Thank you.
MR. DATE: Ms. Roberts.
MS. ROBERTS: Good afternoon. I just want to thank Director Cordray, the CFPB and Congresswoman Sewell and others for having us today on this panel. It's definitely an honor to be able to share testimony on this topic today.
Building Alabama Reinvestment is a statewide CRA consortium that fosters dialogue and partnerships between community and economic development organizations and financial services providers.
As we partner to bring -- promote economic justice, fair lending and business development throughout the state, we're concerned with the impact of payday lenders on low-to-moderate income families and neighborhoods that are negatively impacted.
So low-to-moderate income consumers are ones that typically use payday lenders. However, they are the ones that are less likely to be able to afford these loans, so they're less likely to be able to pay the exorbitant fees and

the high interest rates that are charged by the lenders.

Due to unemployment, underemployment and other circumstances, many low-to-moderate income families are experiencing major financial challenges and they find themselves living paycheck to paycheck. As a result of these financial challenges, some of these families turn to predatory lenders as a source of cash just to make ends meet to pay household bills from payday to payday.

All too often, when payday rolls around, something else has occurred to prevent that family from being able to repay the lender. This forces the family to go into another cycle and pay additional exorbitant fees and high interest rates in exchange for the lender holding the check even longer, possibly another two weeks; and thus, this never ending cycle of poverty and perpetual debt keeps families in bondage.

If families are struggling and living paycheck to paycheck, advancing a payday loan basically sets up an unrealistic expectation that things will be better once payday arrives and money is going to magically appear and be available to actually repay the loan. So actually, when that happens, the family finds themselves further and deeper in debt.

A greater concern is now present for all of us. If families are unable to repay the loan, what tactics might be used by the predatory lender to actually collect on the loan? We've seen predatory lenders using scare tactics and intimidation to force families to repay loans that they originally could not afford. Families begin to fall further and further behind on their loan, which creates more stress, depression and desperation to get out of the situation.

I personally witnessed a family just afraid and living in fear because of messages and tactics that were imposed upon them by a lender. These activities continue to lead families on a downward spiral to poverty and blame.

If families are faced with choosing whether they're going to eat or whether to repay the lender because there's not enough money to do both, we must intervene at this time to help save those families from financial abuse, bankruptcy and foreclosure. We all deserve to live lifestyles that -- where we have healthy money management and financial freedom.

As Building Alabama works with its partners around the state, it's definitely evident that communities are negatively impacted by payday lenders. Payday lenders appear to be located primarily in low-to-moderate income communities or within a 10-mile radius of those low-to-moderate census tracks. Are our low-to-moderate income families being wrongfully targeted by payday lenders because of the locations? When speaking with consumers living in some of these neighborhoods, payday lenders -- where payday lenders are located, families are concerned that their property values will decline and their neighborhoods will no longer be desired by growing families because of the negative stigma of predatory lenders.

Although a lender itself is not harmful, low-to-moderate income families -- some feel payday lenders bring a certain image to the community that may not lend itself to the positive role of the community. If families believe payday and other predatory lenders bring a negative stigma, then the beliefs -- that those beliefs could also hinder progressive business owners that desire to expand and provide positive services in that community. If other business owners view payday lenders negatively also, the image can discourage positive economic growth in that community, and this image can also lead to economic flight and contribute to abandoned buildings and foreclosed homes in the neighborhood.

So how do we overcome these things? I believe that education is the key when it comes to protecting our families from predatory lenders. Families must be educated on finances, the importance of banking relationships, budgeting, debt elimination, savings and more, to break the cycle of abusive practices being -- practices being used on families that lack knowledge about finances.

I do believe families use the

knowledge that they have and do the best that they can with what they know. So how do we stand up and do the best that we can to educate and protect families so that they are equipped with the knowledge and tools to make informed financial decisions when faced with a crisis?

Building Alabama Reinvestment is definitely proud to see the City of Birmingham stand up and take a stand against predatory lending. I was also confident that we were moving in the right direction when I saw one of our lenders announce a very favorable small-loan program. While these things are not perfect in itself, they're definitely moving us in the right direction as we work to help families and help them to balance their lives and not live a downward cycle of debt.

So with that, I just want to again thank the CFPB and also Director Cordray for having this panel today. Thank you.

MR. DATE: Thank you.

Mr. Stetson.

MR. STETSON: I also want to just echo

thanks to the Bureau for coming to Alabama, and I thank everybody who is here. It's really exciting to see people engaged with the process. So it's very heartening.

We are a statewide membership organization and we work against poverty, and as such, we hear a lot from grassroots folks about the effects of poverty. I'm talking about anxiety, family stress, the catastrophe that comes from either medical bills, these unexpected expenses, you know. And that's big stuff. Car repairs. Or little stuff, like your baby has to go on a field trip and you don't have the extra money. So we hear a lot about it.

And one of the things I think is interesting about this conversation that we're having is that both sides of the debate claim to be representing the best interest of those folks. So the devil, as they say, is in the details.

And I also just want to acknowledge there are a lot of folks who aren't here today, not just because we've reached the limit in the room, but they're out working their jobs so they can repay off the debts that they have. And there's an unacknowledged thing. There's a lot of stigma about the fact that people haven't maybe made all the right choices with their finances. And if they've taken out some payday loans, there's a stigma about that and a shame associated with it. So we should acknowledge there may be some unspoken concern about these products that people have to get comfortable enough to admit that they've taken out some payday loans and gotten in underwater.

I just want to say that I appreciate the comments that have already been made about Alabama's situation. Basically, state law allows lenders to charge an extraordinary interest rate, one that we do not see in our fellow SEC states like Arkansas and Georgia and North Carolina -- not SEC, but southern. Good, pro-business southern states have made these products illegal. And I just wanted to acknowledge that they have not seen any sort of catastrophic effects by getting rid of these folks.

So I just want to make a couple of brief points here. I appreciate the comments that have already been made. I want to give the example -- one thing that the Bureau is looking for is what the consumer expectations are when they go in and they take out a payday loan. And it's very difficult to know, not only because of what I just said about the stigma and people not wanting to talk about the experience of getting a payday loan, but there's not a whole lot of useful data that we advocates can use in sort of zeroing in on the nature of the problem.

But when people get up and they say that they have successfully used payday loans and it was helpful to them, I just want to remind you that there are a lot of things that people claim that they have got totally under control that are not necessarily good for you. And that ranges from the people who say that they are excellent drunk drivers, to the story of the people who say, well, my grandpa smoked cigarettes, three packs a day, and died at age 95 with the lungs of a newborn. And those stories may be true. People may use payday loans and they pay it off and they bought their Christmas presents and suddenly they're out from under it. But that is not the norm and that is not what we see, because people get churned back through the system, as has already been said, six, eight, 10 payday loans a year, taking out another one to pay off the one they just had.

And that is not the kind of situation that -- we, as an anti-poverty group, want to see people using their money to build assets and get out of poverty. And payday loans -- even if the industry is correct that they're an emergency Band-Aid, those are not the kinds of things that communities need to help build wealth in communities. They're not the kinds of assets that people need to emerge from poverty.

I just want to say two last things, and I'll pass it on to Shirley. One is about alternatives. And I just encourage everybody to look at what has happened in a lot of these states where they do not have payday loans. You do not see former payday loan customers going and burning down the State House because they're so upset that they no longer have access to payday loans. They have found other alternatives. They borrow from friends. They borrow from family. They understand that there's no longer a safety net for them at the end of the month, so they can't go get a pocketful of money to pay off those bills. They start planning a little more.

But even if it's true that some people may want to still get a payday loan -- they may cross the state line to get one and, as has been said, they may get one off the Internet. That's not a reason not to make them illegal in Alabama. Just because there are loopholes in the law is not a reason that the law shouldn't exist. It's a reason why those loopholes should also be closed.

And I just want to close with one point. I think we all agree that we all have experienced what it's like to be in a storm. I just came back from New Orleans from a football game you may have heard about it, but I was also on my way to New Orleans right when Katrina hit. And if y'all would just think in your minds for a minute about what it's like when a storm hits and the disaster of what it's like when people are desperate and needy. We have laws preventing you from charging eight bucks a gallon for gas and $30 for a bottle of water. We have anti-gouging laws. And there's a reason: because it's not right to take advantage of people when the stakes are down.

Similarly, every day is like a hurricane for somebody who is living on the financial edge. And if we have laws against gouging for gas and water, we ought to have laws against gouging for loans.

(Applause.)

MR. DATE: Ms. Hillebrand.

MS. HILLEBRAND: Thank you. Yes. I'd like to just first say that I really now -- I mean, I saw the Bureau and the appointment of Rich Cordray as the director, and I went, okay, it's a real thing. But now that it has become an acronym, I know it's real, because the Feds only deal with acronyms in their names. So -- so now I'm convinced that this is a reality, and I'm thrilled.

I would like to, you know, have the audacity at this moment to say I disagree a little bit with Director Cordray when he said that what this Bureau is doing is really not constitutional in its basis. And I think that's wrong, because when you go back to the development of our constitution and the arguments that went back and forth in the Federalist Papers, one of the key elements that both the Federalists and the States' Rights groups had was, we need checks and balances. We have got to have those in place to make sure that any faction does not exceed its role in authority and impinges on the rights and livelihood of other people.

And this is where I think we are looking, and what we are looking to this Bureau to help us do is identify where the checks and balances are not in place. I know a lot of this is going to be legislative and regulatory, and I will leave that to attorneys like Stephen and Shay, and the Honorable Judge Vance.

But my -- but my sense of this and my concern with this is more on the ground. It's more looking at community. It's more looking at the people who are affected and how we can begin as community to make sure there are enough safety nets and resources and assistance and information to help people get out of the trap they might be in or avoid getting into it in the first place.

Alabama -- you know, we know we have a high poverty rate. Poverty brings predatory practices. That's inevitable. We see it every time we have a natural disaster. And we happen to be, you know -- you know, sort of on the hurricane list and the tornado list. And so every time we have a natural disaster, we see predatory practices coming in. And even though some of them are, you know, illegal, there are still others that occur.

And what happens to a state with a large percentage of low-income -- low-to-moderate income people is that when we have to encounter either a major national disaster, like a hurricane or a tornado, or a medical bill or a car breakdown or that sort of thing, we feel like the whole safety net has been taken out from under us and we don't know where to go.

We all know we're in an economic recession. The recession is affecting each and every one of us. I understand that. It's also affecting the community support systems. They are being depleted as much as our own bank accounts are being depleted. And because of that, there is not as much available where people who have questions, who may think there might be a better way to pay this bill or restructure their debts or do something -- where do they go? The resources are dwindling by the day.

And one of the things that the United Way of Central Alabama has done -- and we've been working on this for about six or seven years -- is we have formed what we call the United Way Financial Stability Partnership of Alabama, and our mission is financial stability for all Alabamians.

Now, that sounds weird coming from the United Way, because we are seen as the group that looks at health and human service issues. But you know what? Financial stability underpins all of those health and human service needs and resources and gives people the ability to be able to provide for themselves, to provide for their families.

So I guess I would like to encourage the panel and all of us, as we think about this, there's no -- there's not a silver bullet. When they leave, they're not going to go back to Washington and it's all going to be better. There may be some things that will improve and some legislation or regulation that can be put in place. I applaud the forensic audit. I think that's absolutely essential for us to really know the parameters of the problem. But there is also a responsibility for all of us in community to help figure out how we can continue to support one another and find ways to provide assistance, to provide resources, to provide help to individuals so they do not have to lose everything that they have worked for and put their family through that type of dismay.

MR. DATE: Thank you for all of your comments and for the diversity and breadth and passion you have for these issues. So that's evidence of the diversity and the breadth and the passion that you have for these issues.

And we're grotesquely off schedule. That said, I'd appreciate it if Patrice and Gail could just spend a couple of minutes with follow-up questions for the panel.

MS. FICKLIN: Absolutely. Thank you, Raj.

I wanted to focus the first question -- I wanted to throw it out to Ms. Roberts, and I want to focus on impact, the economic and family impact of payday loans or deposit-advance products. You spoke rather eloquently about that impact, particularly with regard to low-income families. But I wanted to kind of delve a little bit deeper and also would like other panelists to weigh in after Ms. Roberts does, if they would like to.

I wanted to ask you, does the impact vary by the type of consumer? In other words, who is helped and who is harmed by deposit-advance and payday products? Thinking of -- also about the relationship between fixed income and these small-dollar, short-term products. And also, does the answer vary depending on whether or not the product is provided by a storefront, a bank, versus online?

MS. ROBERTS: So I think the impact on families, especially in low-to-moderate income families -- I think the impact is significant in that -- for a person that may be a little more educated, then that person is probably less likely to use a payday lender or a predatory lender.

So when you talk about, you know, the impact on the communities, the economic impact, there is definitely that stigma there for the community and for, you know, the consumer when there is a payday lender in the community and also a person that is using it. So there is definitely a negative impact for many families.

Now, in terms of the fixed-income families, I think the impact is even more severe because, you know -- well, people can argue that everybody's fixed if there is a set amount of pay coming in. But for many elderly people, they're experiencing similar challenges where they are, you know, living on a fixed income of Social Security, SSI and things of that nature, but they find themselves going to the payday lender as a source of quick cash to remedy a situation. And you find that they, too -- they find themselves in a never-ending cycle that they're not able to get out of.

For many of them, it's very easy for them to go to a predatory lender because it's very accessible. It's available. Most of them are open 24 hours. You can get to them, you know, at any time and it's available. So because of that, people use it. They're -- they may not, you know, have to do a whole lot to actually take advantage of a product.

So yes, you do see them being impacted in a negative way more often than people that are educated. And it impacts the neighborhood. It impacts the economic development because those people too are less -- are more likely to be the ones caught in that debt trap and be able to -- and have to lose their homes because they can't pay or you find them filing bankruptcy. So those are the types of things that we are seeing happening.

MR. DATE: We really just have a minute or two left for this panel, Gail.

MS. HILLEBRAND: Thank you. I'd like to address my question particularly to the two panelists that talked about alternatives, Mr. Stetson and Ms. Farley. And the question is, for people who are in payday loan status, what do you think would be a viable off-ramp to complete and come out of debt, like this type of debt? And for those who are not currently in it, are there alternatives that you can -- are available and need to be marketed and encouraged, or are there alternatives that you think need to be encouraged? So off-ramps and alternatives, please.

MR. STETSON: I'll answer the latter part, which is about the need for alternatives and whether they exist or not. And I just want to make two quick points.

One is that it's important not to focus on the consumer as -- although financial literacy is important, it's important not to focus on changing the mind of an individual to not go into the payday loan store. It's very difficult to compete with 24-hour, bright lights, free Christmas ham, commercials on TV; and you talking them into a responsible loan product is going to be extremely difficult and a case-by-case basis. So it's very important that we focus on political solutions and not on individual solutions.

And the second point I want to make is I think, as far as alternatives to payday loans, we should look at the states and the places that have gotten rid of them. And I think the presumption ought to be flipped. I think the presumption ought to be get rid of them and let the alternatives develop, and not have alternatives in place now that can compete with the bright lights, the neon signs, because it's very difficult. It's difficult to compete when payday loans are easy and you can walk out of there with a pocket full of money.

So on the alternatives question, I think we should flip the presumption and get them out, and then let the alternatives develop.

MR. DATE: I want to thank this panel again. It's terrific to get the breadth of your experience and your testimony. I know there are a lot of other voices in the room that I'd like to hear from. This is a terrific way to lay a foundation for our work here.

So thank you very much. Please join me in thanking the panel.

(Applause.)

MR. DATE: If we could be joined up here by the second panel as the name cards are changed out, that will be appreciated.

(Industry panel takes the stage.)

MR. DATE: Thank you for being here. With us in the second panel moving from, I suppose, left to right are Kim Gardner from Cash USA; Daryl McMinn, the chief operating officer at Listerhill Credit Union; John Owen from Regions Financial; and Ted Saunders from Community Choice Financial.

Ms. Gardner, if we could start with you.

MS. GARDNER: Absolutely. My name is Kim Gardner, and I represent a small, family-owned financial services business. We are also CFSA members, and I represent the small-member companies on that board of directors. I've been in the financial services business for 16 years, 10 of which have been right here in Alabama. I would like to thank Director Cordray and the staff of the Consumer Financial Protection Bureau for inviting me to share some insight into the Alabama payday lending law, and I realize the importance of this discussion.

I'm proud to be a payday lender. Not everyone can or will turn to a bank when they're in need of credit. We provide critical access to short-term credit for millions of American families each year through affordable, reliable and transparent services. Payday loans are simple, they're clear and they're easy to understand. Let's face it. Nobody really wants to go and borrow money. But when the urgent need comes up before their next payday, our customers know that they can turn to us.

As a member of the Community Financial Services Association of America, an organization seeking to insure consumer confidence in the payday advance industry, my company abides by a strong code of best practices. These best practices offer consumer protections in addition to those required by state and federal law. Measures include a commitment to full disclosure, truth in advertising and fair collection practices and extended repayment plans, which is something that allows the consumer more time to repay their loan at no additional cost.

Our services are effectively regulated at the state level under Alabama Deferred Presentment Services Act. Payday loans cannot exceed $500. And through a state managed database, lenders verify a borrower's outstanding loans and that they do not exceed the $500 limit. These are capped, and we also have a term of 10 to 31 days. Loans can only be renewed one time. These measures help us to insure that our customers can be successful borrowers, and that's our primary goal.

Here in Alabama, approximately 1100 licensed lenders serve thousands of consumers. Loan examiners from the State Banking Department regularly perform examinations for compliance and the State collects and manages the consumer complaints. In addition to these comprehensive regulations, lenders also comply with a number of federal regulations, including the Truth In Lending Act and the Military Financial Services Act, among others.

As a lender and a small business

owner, I am committed to operating a viable business, and my employees and I are also dedicated to our customers and to the communities that we serve. Our success belongs to the consumers we serve. And without offering strong consumer protections, we would not be sustainable. As storefront lenders, we are part of the neighborhoods that we serve and are sensitive to the needs and the concerns of the consumers.

As I have found in our stores, communication is key. You have to get to know the customer in order to know how to better serve them. We contribute to the Alabama economy by providing reliable access to credit, but also by hiring local employees, renting storefronts, doing business right here in the state.

The core of our business is really customer service. We treat our customers with respect and dignity and we always keep their best interest in mind. We know customers have options when it comes to short-term credit, whether it's a payday loan, a bank, a credit union program or maybe a credit card advance. Our job is to make sure they have the information they need to make the best personal and financial decision for that individual's situation.

As the CFPB and other federal and state regulators work together to look for the best ways to protect consumers, I urge you to create a regulatory framework that allows consumers to compare financial services and products similarly, regardless of the provider. It's been my experience that customers are best served when they can quickly and easily compare the different credit options.

You will hear many different perspectives on payday lending today. I would urge you to come see for yourself. Come to our stores, have a visit, meet our employees, meet our customers. We'll be glad to share the information with you. You can listen to their stories and then maybe get a better understanding of actually how the product works and how mainstream America uses that product.

I look forward to continuing to work with the Bureau and others to strike the appropriate balance between the regulation and reliable access to a wide variety of financial services, including payday loans. I am confident the Bureau will come to see payday lending as I do: a valuable and legitimate service offering consumers a needed short-term credit option with meaningful consumer protections that provides outstanding customer service.

MR. DATE: Thank you.

Mr. McMinn.

MR. MCMINN: Good afternoon. My name is Daryl McMinn. I'm the vice president of operations at Listerhill Credit Union located in Muscle Shoals, Alabama. Thank you for inviting me to be a part of this hearing on behalf of credit unions.

Listerhill Credit Union was formed in 1952 when seven employees of Reynolds Metals Company came together with $5 each to form a member-owned, member-focused financial institution. From that original membership of seven men with $35 focused solely on the financial well-being of our members, we have grown to serve over 63,000 members in Northwest Alabama.

Listerhill Credit Union was born of necessity. One of the major driving factors behind its formation was that working people, at the time, would lose their jobs if their wages were garnished by lenders. Unfortunately, many good but financially illiterate men at Reynolds Metals lost their jobs because of this. Our credit union was created as an alternative to this serious problem. While being fired over debt may no longer be a fear for too many people, today there continue to be serious dangers associated with some lending practices.

Listerhill Credit Union remains true to our roots. We continue to work every day to fulfill the vision and mission of our seven founding members. Regardless of our size, we remain a not-for-profit financial cooperative that is owned and governed by our members and exist solely to serve our members. This includes serving members who need small, short-term loans.

Unfortunately, too many of our members were utilizing loans from payday lenders. A few years ago, our board chairman, who was one of our founding members, saw the same potential for harm as he saw many years before. Again, we made a decision to provide an alternative.

Listerhill Credit Union offers our members a loan called Better Choice. The Better Choice loans offer short-term loans with 18 percent APR. These loans are between $250 or $500 with a 30-day repayment, and we work with each borrower to provide flexible payment options. Under our current program, a borrower with a $500 loan would repay $507.40. Compare this to a payday lender in Alabama that might charge 17-and-a-half percent of the face value of the loan. That same borrower would have to pay back $587.50. We do not allow these loans to roll over, as this can trap people in an ever-increasing cycle of debt.

We also realize that simply making loans does not completely fulfill our mission. Too many borrowers we work with lack necessary financial literacy. Listerhill Credit Union offers free financial literacy programs along with our Better Choice loans, including a First Financial

Aid education program to help people learn more about how to take control of their finances and avoid the need for short-term loans of any kind. Our members who have taken advantage of these free education services give us rave reviews about the benefits they receive.

Please understand that Listerhill Credit Union offers the Better Choice loan program solely as a way to help our members avoid pitfalls associated with some payday lenders. This is not a money-maker for us. At best, we break even. However, it is an important way for us to continue our mission of financial services to fulfill the need -- to fill the need of people who need more options. It is important that we as a credit union fulfill our mission of being not-for-profit, not-for-charity, but for service to all our members.

Let's be clear. High-interest-rate, short-term loans are as dangerous today as they ever were. While these loans may have moved from the cliched back alleys and unscrupulous characters to today's storefronts and friendly environments, the damage they can do to consumers remains as real as it ever was.

In 1952, our founders saw a need for better loans and other financial services that actually serve the needs of working people, not something that takes unreasonable and unfair advantage of the situation. Decades later, we again saw the need to find new ways to combat the same problem due to the explosive growth of payday loans.

Listerhill's ability to offer this service to our members is dependent on a number of factors, and among the most important is a legal and regulatory environment that allows us to do so. The regulatory challenges facing our credit union, like all other credit unions around the country, are steep. As your agency begins its work of protecting consumers from unfair, deceptive and predatory practices, I would urge you to not tie the hands of those of us who work every day to provide consumers with services they want in a fair, honest and reasonable way.

On behalf of credit unions everywhere,

I would urge the Bureau to concentrate its efforts on the problem areas, the under-regulated or unregulated financial sector, and not increase the already enormous regulatory burden on credit unions. Please do not stifle our ability to offer the services and products that consumers want and that serve them well. The freedom to respond fairly to the needs of the consumer is what built our credit union and the credit union movement. I hope we all agree that this door must remain open.

Thank you for your willingness to listen to the perspective of credit unions today.

MR. DATE: Thank you, Mr. McMinn.

Mr. Owen.

MR. OWEN: Good afternoon, and thank you all for coming this afternoon. Director Cordray, CFPB members, thank you for including Regions on this panel. My name is John Owen. I am a senior executive vice-president at Regions responsible for the consumer bank.

One of the things that -- a little background of Regions. We operate in 16 states, primarily in the southeast. We have over 26,000 employees across those 16 states. We've got about 1700 branches to serve our customers, about 2000 ATMs, we've got a great online banking system and a great mobile banking system, all providing great service to our customers.

One of the core values at Regions is focus on the customer. And several years ago, we put out a k effort so we could make sure we understood how we stack up in terms of customer service. To do that, we went out and hired Gallup several years ago, and we asked Gallup to go out and talk to our customers and find out what we do well, what we don't do well and also talk to customers about what products and services they think we should offer.

And Gallup reaches out to 10 customers per branch every month. And we've been doing that for years. So every month Gallup calls 10 customers for all of our 1700 branches every month to get feedback. And we correlate that feedback and see how we compare to other financial industries. And we're very happy to say that we moved from being the middle of the pack in customer service several years ago to now being in the top 20 percent as measured by Gallup in terms of customer service. Now, one of the side benefits of that -- other than great service is great for business and it's the right thing to do, one of the benefits we get is we collect customer input. The customers got back to us and said, we need you to offer some products and services that you're not offering today. Two of those products that we launched, one in May of last year and one in July of last year, I'll talk about.

Ready Advance is a $500 -- up to a $500 loan. You have to be a customer of Regions for at least nine months, you have to be enrolled in online banking and you have to be a customer in good financial standing. And if you meet those criteria, we offer that loan to our online banking customers that qualify, and they can access that loan from the safety and convenience of their home anytime they want to.

The second product we launched in July is a suite of products we call Now Banking. The Now Banking is made of a prepaid Visa-branded card. It's the ability for Regions to cash any check for any existing customer and any new customer that wants to come enroll with us. When I say "any check," I'm talking any check type at all: two-party, personal check, government, payroll. We don't care. We'll cash any check.

The third component is the ability to do expedited bill payment. You can pay over 4,000 billers the same day with our service. And lastly is the ability to transfer money to over 200 countries around the world. Money in minutes the same day or next day. So that's what Now Banking is.

Now, how we got those products, that's something our customers asked us for. So when we got that feedback, we sent out a survey to several thousand of our customers and said, if we launch this, will you use it? And we had 30 percent of our customers respond back that not only will we use it, but we use it today just with other institutions because you, Regions, don't offer it. So we felt very good about launching it because we had 30 percent of our existing customers say, we need these services and you don't offer them.

So we launched them last year. We've got about 75,000 customers who have already signed up for the Ready Advance product and we have several thousand customers that are enrolled in Now Banking. Our Now Banking suite, about half of the usage were existing Regions customers and about half the customers are new customers to the bank, which we value very much.

Now, one of the things we look at with these products, we view these as an on-ramp to get customers to other banking products that they need to fulfill their life's needs. So if you need checking or savings or money markets or educational help with financials, we offer education as well. So this is kind of our on-ramp to get more people into the banking system.

We've pushed a lot of education to these new customers. We offer free online classes to a large number of these customers, and it's been very helpful. And also we think we can bring great customer service to this group and we welcome them to the bank. And for those of you who bank with

Regions, thank you. If you don't, I wish you would.

MR. DATE: Thank you, Mr. Owen.

Mr. Saunders.

MR. SAUNDERS: Wow. It's great to be with y'all today. Although I call Columbus, Ohio, home, you can tell by my accent that I am a little bit closer to my Alabama roots.

Representative Sewell, Attorney Vance, Director Cordray, members of the CFP panel, I'm honored to be here. My name is Ted Saunders. I'm the CEO of Community Choice Financial. We're a multi-state provider of retail financial services in 14 states across the country, where I can say that we proudly serve millions of Americans each year. I serve over 2,000 customer service representatives -- customer service representatives. Our company operates more than 20 financial service centers here in Alabama, and we serve hundreds of thousands of Alabamians each year.

Today, I'm on the panel courtesy of what I believe to be one of the finest trade associations in the country, FSCO, or the Financial Service Centers of America. It's a national trade association representing more than 6,000 member locations around the United States. At the core of this was really the development of regulatory compliance to meet the strict guidelines imposed by and on its members by state and federal regulators long before the creation of the CFPB. The second core value of FSCO was to prescribe and demand a code of conduct for behavior which we're all mandated to follow.

Now, I have prepared remarks, and I'll submit them for the record. But what I'd like to do, let's get to the heart of the matter. Because I am proud of my employees. We're in the neighborhoods. I hire people in the neighborhoods to serve the people who live there to try to meet their needs and to work with them through life.

Listening to some of the things out here today, it hurts because it makes me feel as though people would believe that my thousands of employees go to work every day to take advantage of their neighbors. That's not what this business is about. As a gentleman from Regions just said, this is a customer-service business. If we got up every day looking into how we might hurt people, the door wouldn't be open very long.

The reality is, in America today, there's much more than just a payday loan customer. These are Americans. This is middle America trying to figure out how to run their life. Payday loan is one product amongst many other products that they may choose to use.

For example, in Alabama, I think I own four or five state licenses. I'll have to check my fingerprint when I leave today. 60 million Americans rely on these services -- 60 million -- in some form or fashion. They're ordinary. They're known to all of us. You work with them. You probably go to church with them. This is not a picture of a customer who is unable to make good adult decisions.

Is any financial service or product perfect? No. Do we have a crystal ball where we can predict whether or not if we make a loan to an individual they're going to be able to repay it?

No. What we can do is everything in our power to serve our customers to the best of our ability and deal with the unfortunate circumstances when they come. So I was in our stores in Alabama over the last couple of days because I wanted to hear from the people, because that's what this is about. This is about the consumers. Respectfully, it's not about the regulator and the providers; it's about the customer.

The first gentleman I spoke with got out of a five- or six-year-old SUV, was walking up to one of our windows. He borrowed $500. I said, sir, may I ask what you're using the loan for today? Because my customer service rep had already helped him, so I'm asking him some questions. He said, sure. He said, I've got two daughters, both of them in college. The bad thing about that, one of them is at Auburn and both my wife and I went to Alabama. He told me he had a bankruptcy when the economy hit the skids. But he told me very proudly he's back on his feet, he's working, his family is coming up from what was a landslide of financial problems from -- a whole fact of his life. But he told me he got good service in our stores, he appreciated my service and that every dollar he could scrape together he was sending to help those two daughters to prosper.

That's my customer. My customer is not uninformed. My customer is not unintelligent. And I have to respectfully disagree that closing me down and letting the alternatives flourish would be a good solution. If that were the case, maybe healthcare should have been shut down in hospitals and let's see if the doctors can figure it out.

(Applause.)

MR. SAUNDERS: I would respectfully also disagree that this is an unregulated industry in the licensed context. I can personally tell you on the record I've been called by the State of Alabama by its provincial regulator to answer for times we made mistakes. It's not the only mistake. We're not perfect. We did over 11 million transactions last year. We're going to make mistakes. We do our best to do the right thing. And when our state regulators call, I do respond to them. They are there, they are real and they do care about the consumers in their states.

I would also note, on the federal level, we've been subject to federal regulation since the beginning of this industry. You may be familiar with the Federal Trade Commission, which some of its powers were recently transferred to the Bureau. But unfair, deceptive trade practices have been the core of the regulatory framework which I've lived under since the day I stepped into this business.

There's a laundry list of others. That's not what's important today. Really what's important today is how can we -- how can industry work with the CFPB? We need to share this dialogue. This is important. We need to hear from the customers, the providers, the people on the other side of the debate. This is what makes America great. But at the end of the day, we have to scale it down to, as you aptly pointed out, the data.

Attorney Vance in her opening comments said this should be an open, sharing process. We're going after fraud. Fraud takes many forms and names. And there are bad actors in any industry. But Attorney Vance also pointed out something very important. We're going after the illegal people. So how do we do that? I would respectfully submit and it's been said today by members -- the panels and by the CFPB. We start with the state regulators. We've got a comprehensive framework for hearing customer complaints, understanding what the problems are. They collect them, and they're not bashful about calling us to resolve them. That exists. It's a good tool.

We need to look at all products and make sure that we're judging things equally. You hear a lot about rates and disclosure. I would put forth that my customers look at life in a pretty straightforward way. I need to get from here to here and I need a certain amount of money to do it, and I can afford a certain cost to have the use of that money. It's dollars and cents.

And I have to point out that the -- and I went to Listerhill Credit Union and reviewed the product. It looks like a really good product.

But we didn't talk about the fact that there's a $50 fee to open the account. We didn't talk about the fact that there's also a way to have an overdraft protection line of credit to help you cover your NSFs in your checking account. We need to lay all this stuff out. We need to make it transparent for customers. It's not about the payday loan product. It's about what does a customer see, what does an American see when they're making their financial choices? How can we take the menu -- and, I mean, I follow all the rules. I give people a lot of paper. Let's simplify it. Let's help people make good choices, but let's recognize that our customers have the ability to make those great choices.

Let's be mindful of the law of unintended consequences. As one of the panelists pointed out, short-term lending in a state-regulated basis has existed in this country since the fifties. It's been around a long, long time. We have a market. It's not perfect, but it's here to serve consumers. I would put forth that consumers would never walk through our doors if all of these wonderful, less-expensive alternatives existed. Think about it for a minute. Use a little common sense. Why would a customer walk in our door if we are the worst choice? Food for thought.

There are good actors and there are bad actors in every business. Again, I'm going to say it on the record. We're not perfect. We try. I invest heavily in compliance. We have systems. We have people. We try to follow the state and federal law at every turn. There is an element in this discussion which you've got to recognize. There are unregulated offshore participants in the lending business. They're unlicensed. I've talked to customers in this state during my visit who have had experiences where they borrowed money from people who are not subject to state law. They operate much like the gaming industry used to operate in offshore domiciles and they do business as they please in this country. They do business in New York --

MR. DATE: Please be respectful of -- if you might wrap up.

MR. SAUNDERS: Yes, sir. I'm very passionate too. I apologize.

Let's stop the bad actors. Let's get the state regulators the help they need to go after the people that they can't touch. In closing, we understand it's important to make good decisions. This is the beginning of what I think will be a long process, hopefully, and dialogue. And I really appreciate you having me. Thank you.

MR. DATE: We do have a few minutes for the second panel. And I'll ask Peggy to kick things off.

MS. TWOHIG: Thank you so much for your remarks. We want to take our brief time here today to understand a couple of different aspects of your small-dollar loans and products. If we could -- if you could just briefly address, to start with the start in terms of the life cycle of the loan, how do you market your loans? Do you use Internet? TV? Radio? Do you use lead brokers? Do you market only to your customers? If you could briefly address that, that would be very helpful for us to know more about.

MS. GARDNER: We actually use radio. We use some TV, depending on the market. And it's word of mouth by the -- our customers who are so satisfied with the product that they tell someone else that they know that they need money, maybe in a situation. And that's basically how we operate. I don't do anything on the Internet or advertising on that broad of a scope. With being a small business owner, it's not cost-effective for me. So like any other small business owner would do, your basics of TV, radio, word-of-mouth advertising.

MS. TWOHIG: Thank you. If we could go down the panel, that would be great.

MR. MCMINN: We essentially just have it on our website as far as the products we offer. And it is word of mouth. People that use payday loans know people, other people, who use payday loans. And we are located on our main road in Muscle Shoals where other payday lenders are, and we're just known that way.

Membership in our credit union is $25 to become a member. You have to be a member of our credit union for 60 days to take advantage of the product, so you can't just go in and plop down $25 and enroll in the program. But after that, there is a $50 annual participation fee for the program. But out of that $50, you know, you could borrow 12 times in -- 12 times. And then, like I said, you're paying, you know, five to seven -- about 18 percent interest annually. You're talking about a far much, much cheaper -- we're not in the profit in this. We just realized -- we do understand and agree that there are people who are hesitant to come in and speak to a loan officer or think that they have that ability to come in and do that. And since they're employees of Listerhill, you know, sometimes we do say, hey, why don't you look at this other avenue? So it's sort of a luxury that we have, you know, more to offer than the mainstream lending.

MS. TWOHIG: Thank you for that information. Mr. Owen.

MR. OWEN: For most of our products, our loan products, we do advertise. We have commercials, we have billboards, we have radio and advertising for mortgages, home equity lines, auto loans. Those we advertise. Ready Advance, which we just launched on May the 1st of last year, we have not advertised at all. The only way a customer would know that they qualify is when they log into their online banking session -- again, their online banking session -- they would see that they're now eligible for that loan. And that's the only way the customer would know about our advance product.

MS. TWOHIG: Thank you. Mr. Saunders.

MR. SAUNDERS: Our number one way to do business in neighborhoods is by word of mouth, I guess, above all else. And we do participate in various form of traditional advertising. We do not purchase leads from a generation outfit online.

MS. TWOHIG: Thank you.

MR. DATE: If I might, maybe I could just come back to an issue that got raised in the first panel, and actually a number of times in this panel as well, which is the notion of repeat usage. I don't want to put it in simple terms, but -- and this is a business that sometimes doesn't have the same sort of degree of public data

availability that -- as some others, but because it
will -- it's hard for me -- I did spend some
quality time with Mr. Saunders here, with your --
yesterday. And just to make things -- if I
understand it, for the first six months of last
year -- so that's 2011 -- there were something like
one and a half million paid transactions -- not in
Alabama, broadly across the --

(Unintelligible.)

(Court reporter interrupts.)

MR. DATE: The question is, if -- if
there are a million and a half transactions for a
six-month period across your firm, how many
customers, unique customers, would that likely be?

MR. SAUNDERS: You know, we can't
disclose anything competitive other than what's
disclosed in the document. I can refer you to --
each time we try to get together and sort this out
as an industry, it's an average of six or seven
times a year is when a customer uses the product.
This is the best data available, combined data.
We've seen some of the regulatory authorities that
collect that data -- Florida is a good example --

for reporting. And off the top of my head, I'd have to say it's roughly 12 to 20 percent of customers use a product once a year and the average was, again, around six or seven a year.

MR. DATE: And then in terms of customers that ultimately default, would those customers generally have been more frequent or less frequent users of the product prior?

MR. SAUNDERS: This is anecdotal. Again, I don't have perfect information in front of me. As you can see in the S1, the percentage of our total loan volume every year, approximately three or four percent of the loans are not repaid. That's roughly how it works, extended principal. And my opinion -- and I will tell you my business belief without the numbers in front of me -- is actually first-time borrowers are the highest likelihood to default that we have in the business.

MR. DATE: Could I ask a question that follows up on sort of the repeat-usage theme, which is, Ms. Gardner, you mentioned the limitations on renewals. What's -- what is the distinction between a renewal versus I pay my loan back and then I come back, you know, a few days later before my next paycheck? How do you think about those two concepts versus each other?

MS. GARDNER: A renewal would allow the customer to pay just the service fee for using the product for the time that they had it, 14 days. Nonrenewal would mean that they would bring you the full amount, including the fee, on their payday or 14 days, whichever their due date is set up on. We find that customers use this short-term credit, as Mr. Saunders mentioned earlier, to get from point A to point B. And they look at it as the fee -- what is the fee going to cost me. I'm in this situation, what's it going to cost me to get from point A to point B? And they make a very educated decision on whether or not our product is cost-effective for them.

MR. DATE: So is there -- so would there be -- do you -- or anyone on the panel, do you capture -- or find the number of people who renew versus the people who immediately just get a new transaction?

MR. SAUNDERS: Much of state law is

requiring -- very specific about whether or not the customer has the ability to pay just the fee and extend the current loan transaction or whether or not they pay in full. And each state mandates that. Here in Alabama, I believe you're allowed to do one extension for a loan transaction. Other than that, the customer has to pay the loan off. But, again, back to state regulation, where you're doing business as prescribed to us by those regulators.

MR. DATE: And in general for pricing on a product, let's say, for the sake of argument, Mr. Saunders, you are dramatically more creditworthy person than, say, me. Would it be the case that you and I would basically get the same price irrespective of that?

MR. SAUNDERS: You know, I think today that would be the case. I mean, basically, the interesting thing about the way that this industry is regulated by being -- you know, defining the entire short-term -- short-term loan industry is, you know, the rules are promulgated, the rates, the acceptable fees are put to us very specifically.

I'd say by and large, that's what people charge.

I'm a recovering accountant from a prior life, so I studied business a little bit. I think over time, to the extent we can get things on a more comparable basis like we're all shooting for, I think you'll see competition flourish. I think you're going to see that if more and different alternatives are available to the consumer, that you're going to force all purveyors of the product to compete. I hope that this debate can do that.

But today, in fairness, literally, we're given a maximum sort of rate charge for the state, and that's more or less what people charge. But I will tell you there's a lot of variability in there. If a customer walks into our establishment and is talking to our customer service representative and he says, I have a $300 problem, it's, you know, four days to my next payday, we're not going to give them a four-day loan. We're going to give a 19-day or 21-day loan. We're going to time or attempt to time the loan with the next time he could reasonably have had a chance to be paid. It's different from other products where you get sort of an immediate service charge and your immediate repayment obligation is your next paycheck. The variability comes in trying to be flexible to the these people's needs within the boundaries of state regulations and laws.

MR. DATE: So in general, the same pricing con- -- obviously, there are exceptions and a possibility of a longer term. But in general, the same pricing exists for people who are more creditworthy and less creditworthy, and in general the price that is charged is literally the maximum permissible under state law.

MR. SAUNDERS: Not in every instance. I would say by and large, trying to speak for the entire country -- you know, we do business in a couple different other states who have other types of longer-term lending statutes. And when we have availability to create products that are more flexible -- of late, one of our products, part of the application process is sitting down with the customer and looking to see on the first and last day of their previous two to three months of their checking account statement, did they end with a positive balance. But that's a larger loan, longer term, and it's available to me underneath that state law and we can price more flexibly.

The deferred presentment product was designed to be very easy to understand. It was designed to be very clear and very homogeneous. And that's one of the things people actually appreciate about it. They know that if a friend or neighbor says to them, you know, I borrowed $200 over at the company that offers payday loans. They know when they walk in, it's going to be the rate on the wall, on a 20-inch-by-30-inch poster. There's no confusion. You don't have to go up and ask a customer service rep what you're going to have to pay. You can walk in and look at all the information on the wall, never speak to anybody. You can see a copy of the chart. You can see the exact chart -- cost of every type and size loan available so you can make your decision right there in the lobby and turn around and leave. So if we were to be super variable with it, I think it would actually defeat one of the strengths of the product.

MR. DATE: Let me close with one question. If it is in fact the case that on average a customer in the market used the product six or seven times, is it -- is this a product -- and (unintelligible) competitively. But is this a product that is financially viable with a single use? If you could just move around.

MS. GARDNER: I would honestly have to say that I've not given that a lot of thought. I know how that our customers use the product today. And while being a small owner, we don't track all of the different kinds of usage and that kind of thing, I would just have to defer to probably someone else on the panel.

MR. MCMINN: I think typically the MSRs -- our member service representatives -- that run our -- if somebody -- if we're knowingly dealing with somebody that wants this, and they say, this is a one-time thing, I've never been in a place like this in my life or gives us the cues that this is a one-time event, we're going to try to put them back into the credit union, because they're already members and they can apply for a consumer loan with no application fee or anything else. So our first move would be that.

I do think that, sadly, just through interviewing and spending some time in our location, it's -- they use the product several times. I can't say -- I don't know the industry average of whether it's six or seven or -- I took it to mean that when they signed up for a year, they use it for a year, pretty much every 30 days.

MR. DATE: In the minute we have left, Mr. Owen.

MR. OWEN: Just real quick. We launched our product in May. The way our product is set up, customers in good standing have to have a checking relationship. The price is the same for every customer. It's the same amount regardless of the customer. And we do have a cooling-off period. If we have a customer that uses the product for six consecutive months at the maximum they're entitled to draw, we do push the customer into that cool-off period. We do offer education when somebody goes in that cool-off period, on how to better manage money, how to help with savings, how to help with really understanding financials better.

And, you know, we also surveyed all of our Ready Advance customers. And the good answers from them said, I like it because the price point is cheaper than what I've been paying in the past. So they like the price, it's cheaper than what they'd been paying, and they like the convenience and ease of online. What they didn't like is they didn't like the cool-off period. And again, that's -- the negative feedback we got is the cool-off period.

MR. SAUNDERS: You know, I've never -- honestly, I've never run the numbers either. I've never thought about it. I can tell you for the customers I met in our lobby this week, it would be a good answer.

I think the more important question is, if a consumer -- let's get to the heart of the issue again. If a consumer has borrowed several times from our company and comes into our CSR on or before that due date and walks up to the window and says, I can't pay it back -- okay. Trade association practice, what everybody in our market is supposed to do is give that person, by our own free will, a payment plan to break it into four payments with no more fees and interest. We want people to do -- and we've heard a lot of cliches today -- having an escape valve, an off-ramp, whatever it is. It doesn't end well for me. If you go back to your second question, what's the best way the customers come in? Well, they come in by word of mouth. So if a customer walks in and wants to do the right thing with me, again, right there at the point where the loan is due, I think that's the answer. Let's encourage people to come in, and we as a trade association try to encourage that sort of responsible behavior.

MR. DATE: Thank you. Thank you to the whole panel for spending the time with us. Thank you.

(Applause.)

MR. DATE: I'll be joined by Zixta Martinez and Director Cordray.

MS. MARTINEZ: Hello. I'm Zixta

Martinez. I'm the assistant director of the Office of Community Affairs. And now it's time to hear from community leaders, advocates, industry representatives and residents. It's an opportunity for the Consumer Financial Protection Bureau to hear about what's happening in your neighborhoods with respect to payday lending.

And this is a terrific turnout, but it means that we'll have to limit each person's statement to two minutes. You will, however, have an opportunity to share your views with the CFPB even if you don't get to the mic. In the next several days, the CFPB will publish a Federal Register notice to request your comments. Everyone who attended this hearing and RSVP'd by e-mail will get an e-mail letting you know that the Federal Register notice is now available. And even if you didn't share your e-mail with us, you can visit our website, consumerfinance.gov. Consumerfinance.gov. And you can find the Federal Register notice on our website.

Let me reiterate: This is an incredibly invaluable opportunity for us to learn about what's happening in your neighborhoods and communities. And I want to thank you all for taking the time to visit with us. So let's get started with the open mic portion of this field hearing. And please pardon my Texas accent if I mispronounce, inadvertently, anyone's name.

Can we get started with Councilwoman Scales?

COUNCILWOMAN SCALES: Thank you. Thank you, Director Cordray, all of the panelists. And I know -- if you all don't mind to oblige me, I'm going to try to stick within my two minutes.

But I too -- like that gentleman, I'm very passionate about this issue. So let's talk about a couple of things. I liked the fact you talked about Martin Luther King, this being the Civil Rights era and movement, where it all began. And that's what brings me here today, to be a voice for the voiceless.

But, number one, when you talk about you are employing individuals out of the community, well, I -- I have a different take on that. Obviously, there's a level of comfortability with someone who apparently looks like me, they talk like me, and they live in the community that I live in. But I asked the payday lenders, do you live in our community? And the answer is no.

The other thing that I want to share with you -- we've given this to your assistant -- when we talk about the demographics of the city of Birmingham, the reason why this moratorium was very important to us -- because right now we have 93 in the city of Birmingham. That means that outside of the McDonald's, the Wendy's, any other good, family-owned product, this is what has taken control of our community and, most of all, our city.

So this is the very reason why, when we talk about economic development -- since I chair economic development. When you're talking about the Publix that we want to come to the city of Birmingham, all of these high-end restaurants that we know that our people can afford, they don't want to come here because they've done a financial feasibility study; and the poverty level of our community, according to statistics, is the very reason why they're not here.

Moving forward. I wrote down a couple of things that I would like the Bureau to look at as well. One is to place a more strict regulation on the interest rate applied to these payday loans. Obviously, the City of Birmingham can't do it. To some extent, the State can, but, more importantly, the federal government.

The other thing is to work with the Alabama State Legislature so that they can give us home rule. The City of Birmingham doesn't have home rule, and that deals with zoning, about the penetration, saturation of all of these different businesses in one location. For example, if you go to any part of the inner city of Birmingham, you probably may have four or five payday loans within one shopping center. They don't even have to compete with one another because the demand is so great.

The other thing is about the banking institution. I'd like to see the federal government force these banks to have to become more flexible in their loaning or lending practices so that we can teach our people about creditworthiness and so that they can be able to go to the bank, but they don't have to have a 700 credit score.

The other thing is talking about the Community Reinvestment Act. We'd like to see these banks, like the fine Regions Bank gentleman -- we'd like to see them abide by that. It was revised in 1995, and we'd like to see it done and put into practice right here in the city limits of Birmingham.

MS. MARTINEZ: Thank you, Councilwoman.

COUNCILWOMAN SCALES: Thank you, ma'am.

MS. MARTINEZ: Representative Oliver Robinson. Please raise your hand if you are here.

REP. ROBINSON: Thank you. Thank you very much, Director Cordray. I've been a member of the Alabama Legislature since 1998. I was a part of that group that passed the restrictions on payday lenders in 2003.

But let me say this. The thing that I want people to understand is that the people that live in my district don't have an alternative. They don't have other places to go to get financing that they need to go from week to week or two to three weeks at a time. That's why I say -- and I stand with you all today -- to have this dialogue between this industry and the consumers and the federal government. Because unless we have that dialogue, then my constituents will still be in a position to where they leave every single day.

I also want to say that the Alabama Legislative Black Caucus for the last 10 years have worked and talked to a lot of financial institutions about creating these products for our consumers. And in doing that, you can see that some of that is occurring now.

But I just don't want people in here today to bash any industry, because your family might have to use that same industry that you are bashing. And so as it relates to what we need to do as a group, we need to sit down and have this dialogue. We need to talk about what is the best practices for both sides. That's what's going to make it work, not all of these buzzwords that we use in order to incite people. We need to work together in order to make this happen.

MS. MARTINEZ: Than you, Rep. Robinson.

REP. ROBINSON: Thank you very much. You appreciate it.

MS. MARTINEZ: Michael Milner, Alabama Asset Building Coalition.

MR. MILNER: Thank you, Director Cordray. I represent the Alabama Asset Building Coalition. We are a collaboration of nonprofits, financial institutions -- both banks and credit unions -- some government agencies, individuals that have come together to empower the low-wealth individuals in Alabama to make and hope that we can help raise self-sufficiency.

What we did is to have a survey where we went around in the state and asked -- because we really believe from a policy perspective we need more asset-building policies here in Alabama. So we asked them, well, what should the Alabama Legislature do in terms of asset-building policies? Which are the policies that you -- you

would like to -- to have?
The number one -- the number one -- now, the survey was 300 individuals from around the state, from the top of the state to the bottom. That said, number one, overwhelmingly, payday lending legislation -- that there was a need for that. We believe that the payday lending motto is a -- is really a bad lending model as it exists today. It needs some improvement to do some things to help our people.
People are having problems all over the state. We hear this. People -- those who are representing the payday lending industry, you see all these people that are in here? They're hurting. And we need to fix it. And what we want you to do is to help us fix it. If you don't fix it, then maybe you guys can fix it. Thank you.
MS. MARTINEZ: Thank you, Mr. Milner.
Reverend Marcus Singleton, please.
(No response.)
MS. MARTINEZ: LaDonna Banks.
MS. BANKS: Hello, my name is LaDonna Banks, and I'm here on behalf of actually needing a

payday loan at one time. And when the gentleman said it has a lot to do with education or lack of, that's not true.

My situation was an emergency situation. I had a brother on life support that was very sick and needed a kidney, and preparing and preplanning was not an option. Donating my kidney was, and that's what I did, donated a kidney to my brother. And in the process of waiting for my short-term disability to kick in, I had a bridge of two and a half weeks that I had to get money to keep from having $210 in bank fees. I borrowed the money. I paid the money back in two weeks. It was perfectly fine, and it was a need and a necessity for me at that time. Thank you.

MS. MARTINEZ: Tanzy Bonner.

MS. BANKS: My name is Tanzy Bonner, and I'm a resident in Birmingham, and I used the payday loan industry as well for my six-year-old's birthday party. I couldn't tell her that my hours had been cut at work and that mommy couldn't give her a birthday party. And that's where the payday loan came in. I paid it back in two weeks. And I understood two weeks, but I was prepared to pay it back on my next payday. Thank you.

MS. MARTINEZ: Steven Hoyt.

MR. HOYT: Let me say good evening and thank you, Director Cordray. We really appreciate you being here. And thanks, Ms. Sewell, and the attorney general [sic].

I don't believe I could have said any better than what Councilor Scales has said. But I do want you to know that this is fleecing by any other name. It's fleecing. When folk got to struggle to pay their prescriptions, going to get a loan, you're fleecing our seniors, and I think they're the ones who are most affected by this process. And I'm glad you're here today, because I work for an agency where 90 percent of my folk who live there are seniors. All of them trucking out of the building, going and making loans that they cannot pay, don't -- they're already struggling to pay for their housing and their standard and quality of life.

And so I really do appreciate it. But I also know that there are a lot of folk in here that are in the industry that they let off today, so I'm not -- I'm not alarmed about the applause that some are getting. But I want you to know that it's something we have to deal with and we must deal with. And I'm glad that -- there ought to be some alternatives. And I'm glad that you're going to be regulating these folk, because that's what needs to happen. Property value goes down. I know I got at least 20 or more in my district that I represent, some 23,000 people. And I tell you, enough is enough.

MS. MARTINEZ: Thank you, Mr. Hoyt.

MR. HOYT: Thank you.

MS. MARTINEZ: Leigh Osborn.

MS. OSBORN: Hi. My name is Leigh Osborn. I'm a little on the -- kind of pigeonholed into uneducated. I have a bachelors in divinity from Stanford University. I made a conscious decision, I looked online, researched where I wanted to get some money. I was between jobs, going to another one, and I got stuck in the three -- three-week rut of where you get your new paycheck. Well, the bills don't care, you know, if you're in that rut. You need your money. You pay that. And it's a lot cheaper for me to go and get a payday loan than three $30 late fees on my bills.

So I went in. I was fully educated. On the wall, everything was disclosed to me. It was explained to me very easily on a very -- a low level so I could understand it. Anybody could understand it. Nobody drug me in there. Nobody signed the papers for me. I made a conscious decision about my financial future. I went out and had a ball, had a great experience. Nobody made me do it, and I'm glad I did it.

MS. MARTINEZ: Tanji Thomas.

MS. THOMAS: Good afternoon. My name is Tanji Thomas. I just wanted to say that I am -- I did have to use a payday loan once before, and it was because of a family emergency. Yes, I could have -- I did have the option of a savings account. But unfortunately, I had depleted that by paying my tuition, so I didn't have anything -- I didn't have any other way to, you know, come up with this extra money for this family emergency.

What I did was, I went into the -- I actually called first. I called them and asked them what information do I need. And they provided me with that information very kindly, and it was good, accurate information.

And I just -- I went in. And actually the fees that I -- they -- you know, they explained the fees -- those fees to me. And the fees that I accrued from the payday loan were actually cheaper than getting a cash advance on my credit card, so it actually benefited me. And I was really glad that it was there, an option available for me. And I would like to know that in the future that it would be there in the event that I needed it also.

MS. MARTINEZ: Quinn Kallins.

MR. KALLINS: For me, there's a difference between making a profit and making a killing. Okay. Payday loans killed my sister, and my little sister is 21 years old. She needed money to get books, so she took out a loan. She didn't let us know. About two months later, she still hadn't paid it off. In order to pay that payday loan, she went and got a car title loan. And so she took her car. It was about $15,000.

My mom had died two years before. She took about 25 percent of her funds from that to pay for a car, right? So she put that car up. She ended up not being able to pay that off. Three months later, entirely -- during this time, the family doesn't know about it. And she decided out of desperation, which caused her to get the first payday loan, to go and steal a check from the family. And she spent $15,000 in two days. A payday loan of $500 ended up costing my sister a $15,000 car, right, the $500 there, plus 5,000 that she paid on the loan that didn't go to the principal. Right?

I haven't seen my sister in two Christmases, right, because there's so much shame that she has with the family right now, the struggles and the trust. Right? So I hear a lot of nice stories right now, but I don't hear the painful stories that I see.

I'm a community organizer. I meet with about a thousand people a year. Right? I'm probably one of the largest national networks in the country. It's called People Improving Communities Through Organizing. Right? But we hear the pain the families are going through. And there are some nice stories, right, that are beneficial, and there are also some really painful stories that are destroying families.

And I'm glad that y'all are here today, but there are some stories that aren't being told today, okay, and they're painful.

MS. MARTINEZ: Thank you, Mr. Kallins.

Talitha Warren.

MS. WARREN: My name is Talitha Warren, and I actually took advantage of two types of payday loans. I'm also a graduate of the University of Alabama with a human environmental sciences degree.

So I -- I did the online thing, and I ended up paying back almost as much as I took out, plus more. And so I did this because I couldn't go to the bank. I have student loans. My credit is not that good. I mean, I'm a working single mom. I have a child. I have bills. So I needed this for my light bill.

So I went on this online thing, and I do believe that they completely took advantage of me, because no one was there to explain to me what it was I was getting myself into. They print you out these papers, they send them to you, and you are left to decipher what is going on. The difference is, when I went to my -- over the counter, everything was laid out for me: This is what you need to do, this is what you need to pay, this is when you need to pay it. And I wouldn't have gone in there if I thought I couldn't pay it back. And I think that's the problem with a lot of people. If you're not going to be able to pay it back, then you shouldn't take it out. So my experience was really, really good.

MS. MARTINEZ: Thank you.

Eugene Sowell.

MR. SOWELL: Hi. My name is Eugene Sowell. I don't have a payday loan. I pray that I never have to get one. But thank you, sir, for being here to help out on the -- you know --

MS. MARTINEZ: CFPB.

MR. SOWELL: Right. I'm here because I'm having such a hard time -- I have good credit. I'm having a hard time getting the lender, my current lender, to give me the interest rate that you all have passed onto them to lower my rate so my home payment will go down. That's why I'm here.

And I know -- I'm sorry for being here for the payday people here, but --

(Applause.)

MR. SOWELL: But it's the only way that I knew to get this to someone. They are not loaning the money, and I wish you would start with me. So I apologize. But if you can give me some guidance that can help me, you will not be disappointed. I'm just a citizen, man that got laid off in the car business in '08. But, mind you, I've sent four kids through college.

(Applause.)

MR. SOWELL: And see that you all bail them out. I don't want no bailout money. I just want the low buy rate.

MS. MARTINEZ: Thank you, Mr. Sowell.

MR. CORDRAY: We're actually -- we're actually taking mortgage complaints on our website now, so we'll have someone -- one of our staff speak to you after, and we'll treat this as though you're submitting a complaint to us through that means. Thank you.

MS. MARTINEZ: Mikki Amerson.

MS. AMERSON: Hello. My name is Mikki Amerson. And actually, I speak for the payday loans. I'm going to go ahead and limit my time, because I know that we're on a limit.

One thing that I do want to say is the few times that I have used them, I've been glad the service was there. Like many here, I am a single mother. I don't have the option to go to a bank and say, give me a loan, because even though I don't have the best credit in the world, I don't have the worst either. And being in that limbo, they're not just going to give me a loan. So it's a comfort knowing that I can go down the street and get a loan if I need to.

Again, I'm a single mother of a six-year-old daughter. I usually use it around

Christmastime or a little bit after Christmas. You know, we like to spend money on our kids for Christmas. After Christmas, we find that we're a little bit behind on the bills. At that time, I usually will go and get a payday loan, knowing what I'm getting myself into. I've done the research. I know exactly what percent; it's on the wall. You know when you walk in what's expected to you. You know when to pay it back. It's all right there in black and white for you.

So when I use the service, I go in with a certain expectation, knowing my limits, how much I'm going to borrow, when I'm going to pay it back. And I use the service for what it's for. And when it's time to pay it back, I pay it back. I don't feel like I'm stuck in a rut. I don't feel like I'm cutting the corner and I don't know what I'm doing. When I took out the loan, I knew exactly what I was doing and when I was going to pay it back and was glad that the service was there.

MS. MARTINEZ: Thank you, Ms. Amerson.

John Pollock of the Southern Poverty Law Center.

MR. POLLOCK: Thank you. We've heard a lot of discussion today about how these loan products are short-term, that they're intended for two or three weeks, that they're alternative financial planning that can be done to help people who run into trouble. But there's a statistic that we haven't talked about today, and that statistic is 90 percent.

And 90 percent represents the amount of revenue that payday lenders generate not from issuing new payday loans to customers, but by renewing the existing loans without giving any new funding to those customers and basically turning those loans over and over again until the consumer basically -- eventually is forced into an even more untenable financial situation they've got in. That statistic, that 90 percent statistic, suggests in fact that these are not -- these are not loans that get people out of trouble, but they are, rather, loans that put them into trouble in the first place.

(Applause.)

MR. POLLOCK: One other point I'll make is that the CFPB may not be able to set interest rates, but there are many things it can do. And one thing that it can do is require a consideration of the borrower's ability to repay, to have real underwriting. This is a loan product. It's one of the only loan products in America where they don't actually consider your ability to repay. And the last time we had a major system doing that, we had an entire collapse of the national mortgage system.

Thank you very much.

MS. MARTINEZ: Thank you, Mr. Pollock.

Panoma Dunaway.

MS. DUNAWAY: Hi. Actually, it's Sandra Dunaway.

MS. MARTINEZ: Wow, I really mispronounced that.

MS. DUNAWAY: It's the writing. I'm sorry.

One of the things that I wanted to

bring up that has a little bit been discussed today is the fact that there are agencies throughout the state of Alabama -- and I happen to be the director of one of them, Consumer Credit Counseling Service of Mobile -- that provides financial literacy education.

And when they were referring -- the panels were referring to the lack of education, I don't believe they meant with regard to masters degrees or bachelors degrees. I believe they were referring to the fact that our country does not require that our students be financially literate, and so a lot of what we are experiencing right now with regard to this is due to a lack of that education.

The gentleman up front that was looking for a lower interest rate, if he were to come to an agency like ours, we might be able to discuss with him a reverse mortgage that might enable him to totally pay off his current mortgage and not have a payment. So it's the lack of information in many cases that is -- is what drives this. It's not going to solve all the problems. I understand that. But it can certainly help. And the funding for our types of organizations is what's desperately needed.

Thank you.

MS. MARTINEZ: Thank you. Ellise Washington?

(No response.)

MS. MARTINEZ: Okay. Richard Maulk.

MR. MAULK: Good afternoon, Mr. Director, Congresswoman Terri Sewell, Attorney Joyce Vance and other distinguished persons here. My name is Richard Mock. I'm the president of the Consumer Financial Education Foundation of America. We are, like Sandra, a nonprofit credit counseling agency. We are licensed by the Department of Justice to counsel people who are filing bankruptcies.

For the last three years, we have counseled over 100,000 people who have filed bankruptcy. Most of those people have payday loans. It is a source of generational poverty. However, it is the only alternative some folks have.

We have over nine million people that do not have bank accounts in this country. They have to rely on these agencies to get the cash to pay their gro- -- for their groceries, pay their light bill. Go down here on 20th Street and look at Alabama Gas Company and look at the people in line to pay their power -- their gas bill with cash.

We have to have alternatives to banks and these institutions or have some sort of system where banks and credit unions and payday loan centers can give people a reasonable loan with reasonable rates that do not generate the entire system that we have now.

MS. MARTINEZ: Thank you. Thank you, Mr. Maulk. I appreciate that.

I'm going to call on Reverand Marcus Singleton to see if he's had an opportunity to join us.

(No response.)

MS. MARTINEZ: How about Ellise Washington?

(No response.)

MS. MARTINEZ: Thank you all very much for coming to share your views and your perspective on payday lending in your neighborhoods and your communities. Please look for a Federal Register notice to give you an additional opportunity to tell us what you think about payday lending in your neighborhoods and communities. Thank you.

(The proceedings concluded at 2:12 p.m.)

* * * * * * * * * * * *

REPORTER'S CERTIFICATE

STATE OF ALABAMA

I, Greta H. Duckett, Alabama Certified Court Reporter, Registered Professional Reporter, Certified Realtime Reporter and Commissioner for the State of Alabama at Large, hereby certify that on Thursday, January 19, 2012, I reported the PUBLIC HEARING PROCEEDINGS in the matter of the foregoing cause, and that pages 4 through 115 contain a true and accurate transcription of said proceedings.

I further certify that I am neither kin nor of counsel to the parties to said cause, nor in any manner interested in the results thereof.

This 19th day of January, 2012.

GRETA H. DUCKETT, ACCR-12, RPR, CRR
Commissioner for the
State of Alabama at Large

D