



October 24, 2018

The Honorable Mick Mulvaney
Acting Director
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, D.C., 20552

RE: Compliance Date of Payday, Vehicle Title, and Certain High-Cost Installment Loans Rule

Dear Acting Director Mulvaney:

The Consumer Bankers Association (CBA) and the American Bankers Association request the Bureau of Consumer Financial Protection (Bureau) to immediately extend the compliance date of its finalized rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans (rule) in light of the Bureau's announced review of the rule. The current compliance date of the rule is August 19, 2019.

Under its most recent unified agenda, the Bureau has announced an intention to reopen the rule in January 2019, only seven months prior to the compliance date. Given the significant unintended consequences of the rule, as outlined below, and the Bureau's announced intention to revisit the rule's substance, it is important that institutions do not expend resources unnecessarily implementing extensive operational and policy changes to comply with a rule that the Bureau may modify. An extension of the compliance date would promote efficiency in markets and avoid unnecessary or unduly burdensome regulations.

As it currently stands, the rule would sweep in a large amount of wealth management products. We do not believe that high net-worth customers were the consumers the Bureau sought to target with this rule, and we believe requiring the ability to repay analysis provided for in the rule would lead to a negative customer experience and impose unwarranted regulatory burdens on our members. Additionally, rates for wealth products are well below the rates of nonbank loans cited as justification for the rule by the Bureau. Specific examples include:

- Demand lines of credit (unsecured or secured by non-real estate collateral, such as a securities account) - These accounts could be deemed to fall within the category of Covered Short Term loans as the maturity *could* be less than 45 days as the bank has the ability to terminate the line of credit at any time. If these lines are not a Covered Short Term loan, they would fall within the category of Covered Longer Term Balloon Payment

Loans, as repayment terms are interest-only during the life of the loan, with the full principal paid at maturity.

- Credit lines (unsecured or secured by non-real estate collateral, primarily securities accounts) - These would fall under the category of Covered Longer Term Balloon Payment Loans, as repayment terms are interest-only, with the full principal paid at maturity. Maturities vary on these products, but are generally one to two years.
- Capital lines - These would fall within the category of Covered Longer Term Balloon Payment Loans, as repayment terms are interest-only, with the full principal paid at maturity. They are secured by securities accounts. Maturity is generally one-year, automatically renewing unless terminated before then.
- Bridge term loans (secured by collateral other than real estate, or unsecured) - These are shorter-term loans to be repaid upon the occurrence of a certain event, such as sale of a business, settlement of an estate, etc. Bridge loans are also common for wealth and non-wealth customers when banks are providing mortgage financing for simultaneous real estate transactions, such as purchases and sales due to job relocations, where the customer's financial history is already extensively documented and known to the bank. These products can be very short term and could fall within the category of Covered Short Term Loans if the term is 45 days or less. Otherwise they would fall within the category of Covered Longer Term Balloon Payment Loans, since repayment terms are interest only, full principal paid at maturity.

Additionally, the rule is not expressly limited to loans "originated on or after" the compliance date of August 19, 2019. As a consequence, previously originated loans that remain outstanding on the compliance date may have to meet the rule's ongoing restrictions, including potentially the rule's special payment-withdrawal limitations, notifications, and recordkeeping provisions for covered short term loans, covered longer term balloon loans, and longer term installment loans.

The Bureau is statutorily authorized to exercise its authorities under federal consumer financial law for the purposes of ensuring "unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens," and that "markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation" (See 12 USC § 5511(b)(3) and (b)(5)).

An extension of the compliance date should provide ample opportunity to accommodate a full APA rulemaking process and allow for an additional implementation period upon completion of the new rulemaking.

We thank you for your consideration in this matter.

Sincerely,

Consumer Bankers Association
American Bankers Association