



Predatory Loans & Predatory Loan Complaints

The CFPB's Consumer Complaint Database Shows the Need to Stop Payday Debt Traps

Florida PIRG
Education Fund

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August 2016

Acknowledgments

Florida PIRG Education Fund sincerely thanks Tom Feltner, Director of Financial Services at the Consumer Federation of America; Elizabeth Ridlington, Policy Analyst at Frontier Group; Gynnie Robnett, Payday Campaign Director at Americans for Financial Reform; and Diane Standaert, Director of State Policy at the Center for Responsible Lending for their review of drafts of this document, as well as for their insights and suggestions. We also thank Elizabeth Ridlington for her analysis of payday narratives in the CFPB's complaint database. We thank Kris Olson and Stephen Sexton, U.S. PIRG Education Fund interns (summer 2016) for assistance on the report.

Florida PIRG Education Fund thanks The Ford Foundation for making this report possible.

The authors bear responsibility for any factual errors. The recommendations are those of Florida PIRG Education Fund. The views expressed in this report are those of the authors and do not necessarily reflect the views of our funders or those who provided review.

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With public debate around important issues often dominated by special interests pursuing their own narrow agendas, Florida PIRG Education Fund offers an independent voice that works on behalf of the public interest. Florida PIRG Education Fund, a 501(c)(3) organization, works to protect consumers and promote good government. We investigate problems, craft solutions, educate the public, and offer meaningful opportunities for civic participation. For more information, please visit our website at www.floridapirgedfund.org. This is the seventh of a series of reports analyzing complaints to the Consumer Financial Protection Bureau's Public Consumer Complaint Database. You can view the other reports here: <http://www.uspirg.org/page/usf/reports-cfpb-gets-results-consumers>

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Design: Alec Meltzer Design

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Executive Summary

The CFPB

The Consumer Financial Protection Bureau (CFPB) was established in 2010 as part of comprehensive Wall Street reform in the wake of the worst financial crisis in decades. It identifies dangerous and unfair financial practices, educates consumers about these practices and regulates the financial institutions that perpetuate them. The CFPB took over as the nation's chief financial consumer regulator on July 21, 2011.

The Consumer Complaint Database

To help accomplish these goals, the CFPB has created and made available to the public the Consumer Complaint Database. The database tracks complaints made by consumers to the CFPB and how they are resolved. The Consumer Complaint Database enables the CFPB to identify financial practices that threaten to harm consumers, and it enables the public to evaluate both the performance of the financial industry and of the CFPB.

This Report

This is the seventh in a series of reports that review complaints to the CFPB. In this report we explore consumer complaints about predatory loans, categorized in the database as payday loans, installment loans, and auto title loans.

This is our first report to incorporate an analysis of consumer narratives or written explanations of problems—an addition to the database we advocated for with Americans for Financial Reform and achieved last year.¹

This report looks at payday loan complaints from multiple angles:

- The type of problem, such as loan interest that wasn't expected
- Complaints by company
- Whether and how companies responded to complaints

This report includes a section highlighting the CFPB's top accomplishments. We

also present a history of the fight to rein in the predatory lending industry and discuss the significance of a rule the CFPB is expected to finalize this year. We provide recommendations for this rule, as well as improvements the CFPB can make to enhance the complaint database and its work on behalf of consumers.

Complaints about Predatory Lending Appear Repeatedly in the Database

Most predatory loan complaints to the CFPB are submitted by consumers as payday loan complaints, which are categorized in the database in two primary ways: under the “payday loan” product category and as a subset of the “debt collection” category.² Complaints filed in both ways include problems with short-term payday loans, long-term installment loans, and debt collectors. Therefore, we combined both categories of payday loans in the database for our analysis of those complaints.

Additionally, consumers report problems with higher-cost installment loans and auto title loans in the “consumer loan” category.³ We also look at complaints against top companies in this category that appear to offer predatory products.

Findings

Consumers have submitted nearly 10,000 complaints in the payday loan categories of the database in less than three years.⁴

More than half the complaints were submitted about just 15 companies. The other half of the complaints were spread across 626 companies.⁵ (See Table ES-1.)

Complaints against these 15 companies cover problems with a full spectrum of predatory products and services.

These 15 companies include:

- Storefront and online lenders;
- Short-term payday, long-term payday installment, and auto title lenders;
- Debt collectors;
- Lenders claiming to operate as tribal lending entities; and
- Members of industry associations,⁶ whose members are said to abide by best practices they claim ensure responsible lending.⁷

Enova International (doing business as CashNetUSA and NetCredit) has the most total complaints in the payday categories with 737, making up about 8% of all payday complaints, followed by Delbert Services, CNG Financial Corporation (doing business as Check ‘n Go), CashCall, and ACE Cash Express.

- These top five most complained about companies offered little to no relief, either monetary or non-monetary, through the CFPB complaint process. Delbert Services and CashCall notably offered no relief.
- Delbert Services and CashCall, which together make up about 11% of all payday complaints, are both owned by J. Paul Reddam.⁸

The two largest types of problems under the payday loan categories were with communication tactics and fees or interest that was not expected. These two issues made up about 18% of all complaints each. (See Figure ES-1.)

9% of payday complainants received relief, either monetary or non-monetary, through the CFPB’s complaint process.

Table ES-1. Top 15 Most Complained about Companies in the Payday Loan Categories

Rank	Company	Complaints	Percent of Complaints	Type of Business/Products (debt collection, short-term payday, long-term installment, or title loans)	How to apply for loans (online or store)	Known Affiliations
1	Enova International, Inc. (DBA CashNetUSA and NetCredit)	737	8%	Installment & payday loans	Online	Member of the Online Lenders Alliance
2	Delbert Services	621	6%	Debt collection	NA	Same owner as CashCall (J. Paul Reddam)
3	CNG Financial Corporation (DBA Check 'n Go)	555	6%	Installment & payday loans	Both	Member of Community Financial Services Association of America
4	CashCall, Inc.	482	5%	Installment loans	Online	Same owner as Delbert (J. Paul Reddam)
5	ACE Cash Express Inc.	445	5%	Installment, payday, and title loans	Both	Financial Service Centers of America
6	Community Choice Financial, Inc. (DBA Checksmart)	420	4%	Installment & payday loans	Both	Member of Community Financial Services Association of America and Financial Service Centers of America
7	Speedy Cash Holdings (Also does business as Rapid Cash)	330	3%	Installment, payday, and title loans	Both	Member of Community Financial Services Association of America
8	Red Rock Tribal Lending (Did business as Castle Payday but changed name to Big Picture Loans)	238	2%	Installment loans	Online	Lac Vieux Desert Band of Lake Superior Chippewa Indians
9	Advance America, Cash Advance Centers, Inc.	228	2%	Installment, payday, and title loans	Both	Member of Community Financial Services Association of America
10	MNE Services, Inc. (Also did business as Ameriloan, United Cash Loans, US Fast Cash, Advantage Cash Services, and Star Cash Processing ⁹)	212	2%	Payday loans	Online	Miami Tribe of Oklahoma; does not appear to be in business anymore
11	National Credit Adjusters, LLC	175	2%	Debt collection	NA	NA
12	Check into Cash, Inc.	151	2%	Installment, payday, and title loans	Both	Member of Community Financial Services Association of America
13	Mobiloads, LLC	147	2%	Payday loans	Online	Tunica-Biloxi Tribe of Louisiana
14	Ad Astra Recovery Services Inc	125	1%	Debt collection	NA	NA
15	BlueChip Financial (DBA Spotloan)	119	1%	Installment loans	Online	Turtle Mountain Band of Chippewa Indians of North Dakota
	Total	4,985	51%			

Figure ES-1. Breakdown of Complaints by Issue¹⁰

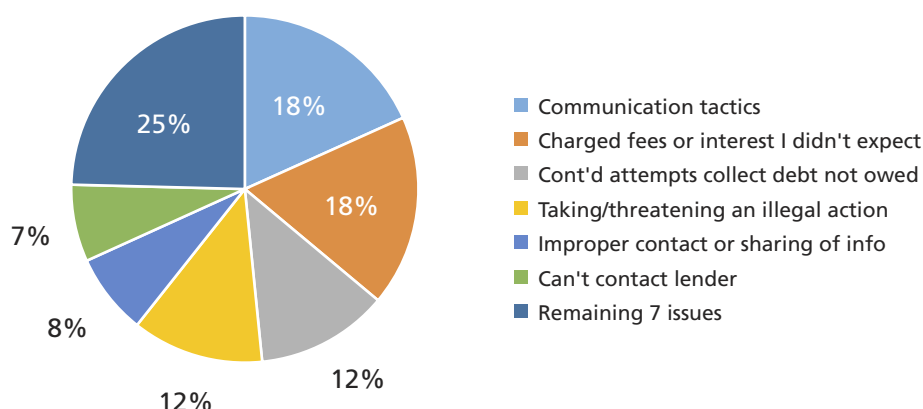


Table ES-2. Top 9 Complained about Lenders in the "Installment Loan" Category that Appear to Offer Higher-Cost Installment Loans¹⁴

Rank	Company	Complaints	Percent of Complaints
1	CashCall, Inc.	255	27%
2	Delbert Services	231	24%
3	Security Finance	83	9%
4	Enova International, Inc. (DBA CashNet USA and NetCredit)	83	9%
5	World Acceptance Corporation	72	8%
6	Tower Loan	70	7%
7	Risecredit, LLC	69	7%
8	Bliksum, LLC (DBA LoanMe)	42	4%
9	CNG Financial Corporation (DBA Check 'n Go)	38	4%
	Total Complaints	943	

- Of the 15 companies with the most overall complaints in the payday categories, Check into Cash and MNE Services were the most likely to report extending monetary or non-monetary relief, providing relief for about 49 percent and about 45 percent of complaints, respectively.
- As noted above, the top five most complained about companies offered little to no relief, either monetary or non-monetary, through the CFPB complaint

process. Delbert Services and CashCall notably offered no relief.

Beginning in March 2015, the CFPB added an option for consumers to share the written explanations of their problems in the database. Since then, 3,695 complaints in the payday categories have been published. A total of 1,663 or 45% of these complaints include publicly available explanations, also known as narratives, in the database.¹¹

- Although consumers may select only one type of problem when filing a complaint, a review of the narratives reveals many complaints involve multiple problems.
- 91% of all narratives showed signs of unaffordability, including abusive debt collection practices, bank account closures, long-term cycles of debt, and bank penalties like overdraft fees because of collection attempts.

Consumers also report problems with higher-cost installment loans and auto title loans under the “consumer loan” product category. Of these complaints:

- CashCall and Delbert Services make up 51% of the complaints among the top companies that appear to offer higher-cost installment loans.¹² (See Table ES-2.)
- TMX Finance accounts for 45% of the complaints among the top companies that appear to offer predatory title loans.¹³

Commendations and Recommendations

Below are some of our key commendations and recommendations for improving the effectiveness of the CFPB and its database. A full list is available toward the end of this report.

We commend the CFPB for proposing a rule in June to rein in high-cost lending.¹⁵

The proposed rule takes an historic step by requiring, for the first time, that payday, high-cost installment, and auto title lenders determine whether customers can afford to repay loans with enough money left over to cover normal expenses without re-borrowing.

However, as currently proposed, payday lenders will be exempt from this requirement for up to six loans a year per customer. To truly protect consumers from the debt trap, it will be important for the CFPB to close exceptions and loopholes like this one in what is otherwise a well-thought-out proposal. The CFPB proposed rule could go further to enhance enforcement tools such as deeming that a loan in violation of state law is an unfair, deceptive, or abusive practice.

Actions the CFPB should take to improve the quality of the Consumer Complaint Database include the following. See further explanation of these recommendations and additional suggestions under the “Conclusions, Commendations and Recommendations” section toward the end of this report.

- Make it easier for consumers to know which categories to select when filing a payday complaint.
 - The “payday loan” top-level product category does not have any options for consumers to select payday problems with debt collection.
 - Many of the options on the list of payday “issues” under the “debt collection product category are too similar to each other.
 - Analysis of the narratives indicate that many complaints involved multiple issues. However, consumers are able to select only one issue when filing complaints.
- Add more detailed information to the database, such as complaint resolution details.
- Add a field listing company subsidiaries, which are often the firms with which consumers actually interact.

The Consumer Financial Protection Bureau: A Watchdog for Consumers

The U.S. financial crisis of 2008 was the product of an under-regulated financial system run amok. Millions of consumers were lured into mortgages whose terms they could not understand and which they had little hope of ever being able to repay. Easy credit inflated a housing bubble which, when it collapsed, brought down the fortunes of millions of families as well as the broader economy.

The mortgage crisis highlighted the need for more stringent financial regulations and better consumer education. But the problem extended far beyond mortgages. For decades, consumers had increasingly fallen prey to a growing list of predatory financial practices, from payday loans to exorbitant credit card and bank fees—all while receiving little help from Washington, D.C.

In 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which created the Consumer Financial Protection Bureau (CFPB), whose mission is to help “consumer finance markets work by making

rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.”¹⁶

The CFPB engages in many tasks as part of its mission to protect consumers. According to the agency’s website, the CFPB’s work includes¹⁷:

- Rooting out unfair, deceptive, or abusive acts or practices by writing rules, supervising companies, and enforcing the law;
- Enforcing laws that outlaw discrimination in consumer finance;
- Taking consumer complaints;
- Enhancing financial education;
- Researching the consumer experience of using financial products; and
- Monitoring financial markets for new risks to consumers.

Key Accomplishments

In 5 years, the CFPB has stood up for consumers in the following ways.

Enforcement Actions: The CFPB has the authority to take legal action against companies that break the law. Results from the CFPB's enforcement actions include:¹⁸

- Over \$11.3 billion in relief to consumers, broken down as \$3.62 billion in compensation to consumers and \$7.75 billion in principal reductions, cancelled debts, and other consumer relief;
- 25.5 million consumers who will receive relief because of enforcement actions; and
- \$440 million ordered to be paid in civil penalties as a result of CFPB enforcement actions.

Supervisory Actions: Supervision is an important tool which allows the CFPB to “look under the hood” and catch problems early. As the Bureau itself explains: “The CFPB has the authority to investigate or “supervise” depository institutions and credit unions with total assets of more than \$10 billion, and their affiliates. In addition, the CFPB has authority under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to supervise nonbanks, regardless of size, in certain specific markets: mortgage companies (originators, brokers, servicers, and providers of loan modification or foreclosure relief services); payday lenders; and private education lenders.”¹⁹ 135 banks and credit unions are under the CFPB's supervisory authority as of July 2016. Results from supervisory actions include:²⁰

- \$347 million in monetary relief to consumers and
- 1.6 million consumers who have received relief.

Consumer Complaint Database: The CFPB allows consumers to file complaints against financial products and services. So far:

- Over 930,700 complaints have been received as of July 2016²¹ and
- As of April 29, 2016, 558,008 complaints have been published.²²

Educational resources and tools: The CFPB creates tools and answers common questions to help consumers navigate and shop around the financial marketplace. Results include:²³

- 12 million unique visitors to “Ask CFPB,”²⁴ where the agency provides hundreds of answers to financial questions on its website and
- 3,400 colleges have voluntarily adopted the Financial Aid Shopping Sheet developed by the CFPB and the U.S. Department of Education.

Rulemakings: Writing regulations helps make the marketplace fair. Since completing several statutorily-required rulemakings to clean up the mortgage lending marketplace, the CFPB has completed a variety of rules to help consumers, including its money transmittal (remittance) rule and a series of “larger participant” rules granting it authority to supervise larger debt collectors, consumer reporting agencies (credit bureaus) and others. In addition to its proposed high-cost lending rule discussed further in this report, the CFPB recently completed the comment period on its rule limiting restrictions in small-print mandatory arbitration clauses. A final rule regulating the prepaid card market is expected this fall.

Special Offices: In addition to its work on behalf of all consumers, the CFPB has special offices for servicemembers, stu-

dents, older Americans, and economically vulnerable consumers. Servicemember related stats include:²⁵

- 138 visits to military installations by the Office of Servicemember Affairs and
- More than 50,000 complaints from servicemembers, veterans, and their family members.²⁶

Public Accountability: The CFPB has been accountable to the public, including in the following ways:

- 61 times senior CFPB officials have testified before Congress²⁷ and
- 36 public town halls and field hearings CFPB has held since 2011.²⁸

The CFPB Helps Payday Lending Customers

Enforcement Actions Related to Payday Products

With its authority to sue companies that break the law, the CFPB has taken enforcement actions against at least 10 payday related companies, halting illegal activities and securing over \$114 million in relief and refunds for consumers and over \$11 million in penalties. Four of these lawsuits are still pending and could result in more relief.²⁹

These companies include Delbert Services, Cash Call, and Ace Cash Express, which we find are the 2nd, 4th, and 5th most complained about payday companies in the CFPB's database, respectively.

Supervisory Actions

Aided by its authority to examine or supervise both banks and certain non-

banking companies including payday lenders, the CFPB has examined both banks (e.g., their checking account data) and payday lenders for compliance with the Electronic Funds Transfer Act and its Regulation E, which allows payday lenders easy access to bank accounts and is therefore an area of close scrutiny for compliance. In an April 2016 report, the CFPB found the following, which aided its proposed rule's limit on online access:

*"...online lenders' repeated attempts to debit payments from a borrower's checking account add significant costs to online payday loans. Specifically, we found that after the first failed payment request, 70 percent of second attempts fail to collect money from the borrower, leading to more fees, and that later attempts are even less likely to succeed."*³⁰

The Consumer Complaint Database: A Critical Part of the CFPB's Mission

Collecting and responding to consumer complaints is a key part of the CFPB's mission, one that contributes to achieving several of the above accomplishments and goals. In particular, consumer complaints enable the CFPB to:

- **Learn about new threats to consumers:** The complaint process enables consumers to alert the CFPB when they believe that they have been wronged. The CFPB Office of Consumer Response "hears directly from consumers about the challenges they face in the marketplace, brings their concerns to the attention of companies, and assists in addressing their complaints."³¹

- **Identify trends in issues and potential unfair practices:** The CFPB can use the complaint data in aggregate to identify common issues or sectors where more enforcement is needed.
- **Hold financial services firms accountable:** Making complaint data available to the public increases the accountability of financial institutions. Ideally, these institutions will be less likely to engage in unfair practices out of the fear that they will be held accountable by the public for any resulting increase in complaints. The complaint data also alert the agency about potential enforcement actions that may need to be taken. For example, servicemember complaints analyzed by the CFPB's Office of Servicemember Affairs led to a settlement in May 2015 with Navient (Sallie Mae) Corp. for overcharging on student loan interest. As a result, 77,795 servicemembers are receiving \$60 million in compensation.³²

The database provides the agency, the media and consumers with the information needed to monitor trends in consumer complaints and companies' responses to those complaints. (See Figure 1.) The database is useful to consumers seeking to make choices in the marketplace.

How the Consumer Complaint Process Works

When a consumer believes that he or she has been subject to an unfair financial practice, he or she may file a complaint with the CFPB. Filing a complaint triggers a process through which the CFPB passes the complaint along to the relevant financial institution, and later follows up with the consumer to ensure the response was adequate. The steps are as follows:³³

- **Filing**—The consumer submits a complaint form via the CFPB's consumer complaint website (www.consumerfinance.gov/complaint) or by phone (at 855-411-2372). Telephone complaints are accepted in many languages. Consumers will receive email updates and can also track the progress of their complaints by logging in online.
- **Review and routing**—CFPB staff review the complaint and, if appropriate, send it to the relevant company (or, if the issue is outside of the CFPB's jurisdiction, to another government agency).
- **Company response**—The company that is the subject of the complaint responds to the consumer and the CFPB and proposes a resolution to the complaint.
- **Complaint published**—The CFPB publishes information about the complaint on its public Consumer Complaint Database. With consumer permission, the CFPB also publishes written explanation of what happened, after taking steps to remove personal information.
- **Consumer review**—The consumer can then provide any response or feedback to the CFPB.
- **Analysis and reporting**—The CFPB uses complaints to help with its work to investigate companies, enforce federal consumer financial laws, and write better rules and regulations. It also analyzes data for trends and reports regularly to Congress and the public.

The CFPB's complaints program and the Consumer Complaint Database have gradually expanded in scope since the agency began collecting consumer complaints in July 2011. Initially, the CFPB received complaints only about credit cards. Complaints about mort-

Figure 1. Screenshot of the CFPB's Consumer Complaint Database

The screenshot shows the CFPB's Consumer Complaint Database interface. At the top, there's a header with the CFPB logo and navigation links like 'Help', 'Sign Up', and 'Sign In'. Below the header, there's a section for 'Unsaved View' with buttons for 'Save As...', 'Revert', and 'Find in this Dataset'. The main part of the interface is a table with columns: 'Date received', 'Product', 'Sub-product', 'Issue', 'Sub-issue', and 'Consumer complaint narrative'. The table contains 10 rows of data, each representing a consumer complaint. The data is as follows:

	Date received	Product	Sub-product	Issue	Sub-issue	Consumer complaint narrative
1687	02/24/2016	Payday loan	Payday loan	Charged fees or interest I didn't expect	Charged fees or interest I didn't expect	The company is calling harassing me about a loan I know r
1688	10/07/2015	Payday loan	Payday loan	Charged bank acct wrong day or amt	Charged bank acct wrong day or amt	The company is Cash Central online. When I took out the l
1689	10/09/2015	Payday loan	Payday loan	Charged bank acct wrong day or amt	Charged bank acct wrong day or amt	The company is castlepayday loans. They pull (\$350.00) e
1690	05/18/2016	Debt collection	Payday loan	False statements or representation	Impersonated an attorney or official	The company is owner of the note is dispute. and the calls
1691	09/27/2015	Debt collection	Payday loan	Taking/threatening an illegal action	Threatened arrest/jail if do not pay	The company STELLAR RECOVERY INC has sent severa
1692	04/29/2015	Debt collection	Payday loan	Cont'd attempts collect debt not owed	Debt is not mine	The company that has called me is Pinnacle Asset Manage
1693	05/21/2015	Debt collection	Payday loan	Taking/threatening an illegal action	Threatened arrest/jail if do not pay	The company that is handling this debt is called XXXX XXX
1694	06/09/2016	Debt collection	Payday loan	Taking/threatening an illegal action	Threatened arrest/jail if do not pay	The company was Coastal Financial Solutions who continu
1695	06/16/2015	Debt collection	Payday loan	Improper contact or sharing of info	Talked to a third party about my debt	The company who is calling me on an old debt called and c
1696	04/15/2015	Debt collection	Payday loan	Communication tactics	Used obscene/profane/abusive language	The conversation was not obscene, profane or abusive, bu
1697	04/28/2016	Payday loan	Payday loan	Received a loan I didn't apply for	Received a loan I didn't apply for	The Creditor, 500FASTCASH500 PAYDAY LOANS, has co
1698	01/26/2016	Payday loan	Payday loan	Can't stop charges to bank account	Can't stop charges to bank account	The creditor stated there would be no further contact as ste
1699	09/23/2015	Payday loan	Payday loan	Charged bank acct wrong day or amt	Charged bank acct wrong day or amt	THE CURRENT CALLER IS HIGH POINT ASSET MANAG

gages were received next in December 2011. The CFPB has gradually added bank accounts and services, student loans, consumer loans, credit reporting, money transfers, debt collection, pay day loans, prepaid cards, and other financial services to the complaints program.³⁴

Complaints submitted to the CFPB include information on a variety of topics, including:

- The specific issue or problem the consumer had with that financial service;

- The company that provided the service;
- The date on which the complaint was filed and state from which it was filed; and
- Several data points associated with the complaint's resolution (including the steps taken to resolve the complaint and whether the outcome was disputed by the consumer).

As of late June 2015, at the consumer's request, complaints also now may include a consumer narrative, or explanation of the problem.

The CFPB and Payday Lending

Reining In Payday Lenders: A Brief Summary of the Multi-Year Campaign

High cost predatory small dollar loans are not new. Numerous historic treatments exist describing their use as far back as the 1800s.³⁵ However, the high-cost, short-term small loan industry began to formalize and institutionalize into larger publicly traded companies in the 1990s as it launched a well-funded and coordinated campaign to enact safe-harbor state laws that exempted payday lenders from small loan usury ceilings and other consumer protections. As long ago as 2000, we reported that payday lenders, which had grown to over 14,000 storefronts at that time, were already seeking to use a “rent-a-bank” loophole to evade state usury ceilings in states where they could not gain exceptions.³⁶

Where states (Ohio and Arizona, both in 2008, and Montana in 2010) have brought questions to the citizen ballot to restrict payday lending, voters have overwhelmingly supported consumer protection over payday lending. However, in Ohio,

for example, payday lenders proved adept at creating a new loophole to continue lending activities by disguising themselves as mortgage lenders and credit repair organizations. As federal bank regulators closed the rent-a-bank loophole, states have been able to successfully enforce their usury limits.

In their never-ending quest to exploit loopholes, payday lenders have tried to hide behind tribal sovereignty. State regulators have many times successfully enforced these laws against this ruse.

With passage of the 2007 Military Lending Act by Congress, which enacted a 36% rate cap for consumer credit to military families but defined payday and car title loans narrowly in implementing the regulations, payday lenders found new ways to exploit active duty servicemembers. Payday and car title lenders circumvented these laws by offering longer term loans that fell outside of the scope of the Act in order to keep soldiers trapped in triple-digit rate debt.³⁷ Changes announced to the Military Lending Act in 2015 which go into final effect on October 3, 2016 close loopholes and greatly broaden the scope of the MLA’s protections for an esti-

mated 5 million servicemembers and their dependents.³⁸

Today, 90 million citizens live in 14 states and the District of Columbia that effectively ban payday lending with strict small loan usury ceilings. Today 36 states allow payday loans by regulation, with triple-digit interest rates averaging 391% and ranging much higher in some states. Weak protections against repeat or “roll-over” loans in many of these states leave consumers in a debt trap. The Center for Responsible Lending estimates that payday lenders drain over \$4 billion a year from consumers in states where this lending is allowed.³⁹ A CFPB report found that nationally, payday lenders make 75% of their fees from borrowers stuck in more than 10 loans a year.⁴⁰

Through the 2000s more states also began to allow short-term high-cost loans using car titles as collateral. A recent CFPB report found that “one-in-five borrowers who take out a single-payment auto title loan have their car or truck seized by their lender for failing to repay their debt.” The report also found that “more than two-thirds of auto title loan business comes from borrowers who wind up taking out seven or more consecutive loans and are stuck in debt for most of the year.”⁴¹ According to the Pew Charitable Trusts, approximately 2 million consumers use auto title loans, which are allowed in 25 states.⁴²

So, while many states have aggressively sought to rein in high-cost short term lending, the industry continues to aggressively seek new markets and new business models to loosen state laws and further expand the types of predatory loan products they offer.⁴³

The Solution: The CFPB’s Proposed Rule on High Cost Payday and Auto Title Loans

The enactment of the Consumer Financial Protection Bureau, in the Wall Street Reform and Consumer Protection Act of 2010, offered a chance at a national approach to the regulation of high-cost small dollar lending. The CFPB’s first efforts were to study the high-cost short term loan industry, beginning with reports on payday loans and following those with its reports on auto title lending. The CFPB, from its inception, also took advantage of its Congressionally-granted authority to supervise, or examine, payday lenders of any size.

CFPB research and supervisory actions confirmed the cycle of debt as core to the payday lenders’ business model. According to the CFPB, payday loans cost on average, 391% APR and the typical customer earns \$26,167 a year.⁴⁴ CFPB data showed that the majority of payday loans are in long sequences of repeat loans, and that most loans are taken out quickly after the other. Over 80% of all payday loans are followed by another loan within 14 days.⁴⁵ This debt cycle was confirmed in enforcement actions, such as against Ace Cash Express, in which the CFPB uncovered in a training manual how employees were instructed to flip borrowers from one unaffordable loan to the next.⁴⁶

In March 2015, the CFPB announced it was considering a rule to regulate high-cost small dollar loans.⁴⁷ Under its regulatory requirements, that announcement triggered a “Small Business Regulatory Enforcement Fairness Act” (SBREFA) re-

view required before any regulation could be proposed for comment. The CFPB proposed to both “prevent” and “protect against” both short and long term debt traps.

Then, in June 2016, the CFPB issued a proposed rule to regulate payday loans, auto title loans and certain high-cost installment loans for public comment. As CFPB Director Richard Cordray explained:

“Too many borrowers seeking a short-term cash fix are saddled with loans they cannot afford and sink into long-term debt. It’s much like getting into a taxi just to ride across town and finding yourself stuck in a ruinously expensive cross-country journey. By putting in place mainstream, common-sense lending standards, our proposal would prevent lenders from succeeding by setting up borrowers to fail.”⁴⁸

The key protection of the proposed rule out for comment is an ability to pay requirement.⁴⁹ Under the proposal, short term and longer-term high-cost loans are subject to different criteria for this determination. In addition, the proposed rule severely limits the ability of lenders, especially online lenders, to repeatedly reach directly into consumer bank accounts for repayment.

The proposal is a good first step. However, in a recent joint statement, we joined 11 leading consumer, civil rights and faith

organizations urging that the draft rule be strengthened and that certain loopholes be closed.⁵⁰ In particular, we called for the CFPB to enact strong ability to pay standards with no exemptions. The statement also noted the importance of closing a loophole that would have exempted longer-term payday and car title loans from the rule’s proposed ability to repay test if the loan payments are less than 5% of a borrower’s income. The statement noted:

“The [CFPB] report analyzed millions of payday loan transactions and found that many loans with payments equal to or less than five percent of a borrower’s income still were unaffordable – averaging default rates as high as 40 percent. A 40 percent failure rate for products such as cars, electronics, or others would not be considered safe, and the same is true here.”

We also recognize that the CFPB does not have authority to enact usury ceilings; consequently, it is also critical that the CFPB’s final rule must allow the stronger state prohibitions in the 14 states and the District of Columbia to stand. An important provision to be included in the final rule would be an explicit statement that a violation of state law is an unfair, abusive, or deceptive practice under federal law. A new report by the Center for Responsible Lending, for example, finds that consumers in these states save over \$2 billion annually.⁵¹

Consumer Complaints about Predatory Loans

How Payday Loan Complaints Are Categorized in the Database

Most predatory loan complaints to the CFPB are submitted by consumers as payday loan complaints, which are categorized in the database in two primary ways: First, “payday loan” is a top-level complaint product category. Payday loan complaints are also classified as a sub-product under the “debt collection” top-level product category.

Complaints filed in both ways include problems with short-term payday loans, long-term installment loans, and with debt collectors. Therefore, we combined both categories of payday loans in the database for our analysis of those complaints.

Additionally, there are also “installment loan” and “title loan” sub-product categories under the “consumer loan” product category. While most of these complaints are not against companies offering predatory products, consumers did report some problems with higher-cost installment loans and auto title loans in these categories. Therefore, we have included separate

analyses of complaints against top companies in these categories that appear to offer predatory products.

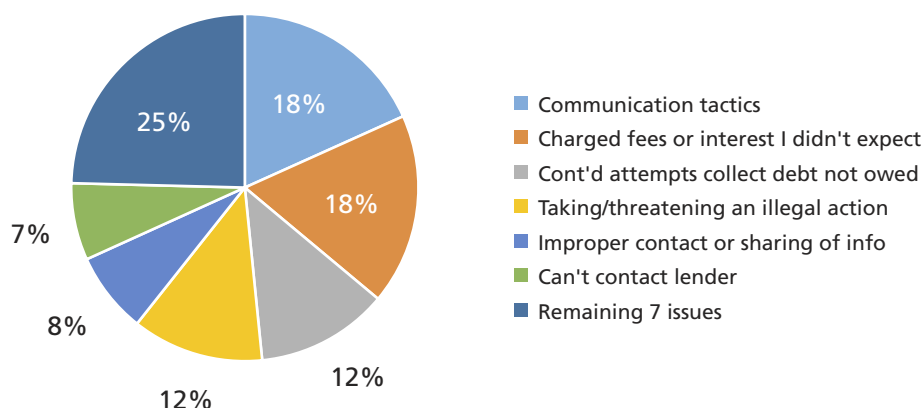
The CFPB’s Consumer Complaint Database provides a rich source of information about the types of payday issues that most frequently cause problems for consumers, as well as which companies are the most frequent subject of consumer dissatisfaction.

The Consumer Financial Protection Bureau has published more than 9,700 complaints in the “payday loan”⁵² categories between October 30, 2013,⁵³ when it began accepting those complaints, and April 29, 2016.

Complaints by Issue

The CFPB collects data on complaints about 13 categories of payday problems: 7 categories of problems under the “payday loan” product heading and 6 categories of payday problems in the “debt collection” product category.

Figure 2. Breakdown of Complaints by Issue⁵⁴



The two largest types of problems were with communication tactics and fees or interest that was not expected. These two issues made up about 18% of all complaints each. Continued attempts to collect debt not owed and taking or threatening an illegal action were the next biggest issues, making up 12% of all complaints each. (See Figure 2.)

An analysis of issues in the complaint narratives is available on page 20.

database. Enova International, which does business as CashNetUSA and NetCredit, has the most total payday complaints with 737, making up about 8% of all payday complaints, followed by Delbert Services, CNG Financial Corporation, CashCall, and ACE Cash Express. Delbert Services and CashCall, which together make up about 11% of all payday complaints, are both owned by J. Paul Reddam.⁵⁵

Complaints against these 15 companies represent problems with a full spectrum of payday products and services.

These 15 companies include:

- Storefront and online lenders;
- Short-term payday, long-term installment payday, and auto title lenders;
- Debt collectors;
- Lenders claiming to operate as tribal lending entities; and
- Members of industry associations, whose members are said to abide by best practices they claim ensure responsible lending.⁵⁶

Complaints by Company

The CFPB database enables consumers to compare the number of complaints filed against different predatory lenders and debt collectors.

Out of 9,709 complaints against 641 companies, 51% were about just 15 companies. Put another way, just over 2% of the companies account for 51% of the payday complaints. (See Table 1.)

Table 1 ranks the 15 most complained-about companies by total number of complaints in the “payday loan” categories of the

Table 1. Top 15 Most Complained about Companies in the “Payday Loan” Categories

Rank	Company	Complaints	Percent of Complaints	Type of Business/Products (debt collection, short-term payday, long-term installment, or title loans)	How to apply for loans (online or store)	Known Affiliations
1	Enova International, Inc. (DBA CashNetUSA and NetCredit)	737	8%	Installment & payday loans	Online	Member of the Online Lenders Alliance
2	Delbert Services	621	6%	Debt collection	NA	Same owner as CashCall (J. Paul Reddam)
3	CNG Financial Corporation (DBA Check 'n Go)	555	6%	Installment & payday loans	Both	Member of Community Financial Services Association of America
4	CashCall, Inc.	482	5%	Installment loans	Online	Same owner as Delbert (J. Paul Reddam)
5	ACE Cash Express Inc.	445	5%	Installment, payday, and title loans	Both	Financial Service Centers of America
6	Community Choice Financial, Inc. (DBA Checksmart)	420	4%	Installment & payday loans	Both	Member of Community Financial Services Association of America and Financial Service Centers of America
7	Speedy Cash Holdings (Also does business as Rapid Cash)	330	3%	Installment, payday, and title loans	Both	Member of Community Financial Services Association of America
8	Red Rock Tribal Lending (Did business as Castle Payday but changed name to Big Picture Loans)	238	2%	Installment loans	Online	Lac Vieux Desert Band of Lake Superior Chippewa Indians
9	Advance America, Cash Advance Centers, Inc.	228	2%	Installment, payday, and title loans	Both	Member of Community Financial Services Association of America
10	MNE Services, Inc. (Also did business as Ameriloan, United Cash Loans, US Fast Cash, Advantage Cash Services, and Star Cash Processing ⁹)	212	2%	Payday loans	Online	Miami Tribe of Oklahoma; does not appear to be in business anymore
11	National Credit Adjusters, LLC	175	2%	Debt collection	NA	NA
12	Check into Cash, Inc.	151	2%	Installment, payday, and title loans	Both	Member of Community Financial Services Association of America
13	Mobiloads, LLC	147	2%	Payday loans	Online	Tunica-Biloxi Tribe of Louisiana
14	Ad Astra Recovery Services Inc	125	1%	Debt collection	NA	NA
15	BlueChip Financial (DBA Spotloan)	119	1%	Installment loans	Online	Turtle Mountain Band of Chippewa Indians of North Dakota
	Total	4,985	51%			

Responses to Complaints

The CFPB tracks how companies respond to complaints by consumers, and whether consumers disputed the companies' responses.

A total of 7,736 consumers—80 percent of those who complained—received an explanation from the payday or debt collection company directly through the CFPB complaints process.⁵⁸ An additional 600 complaints were closed with non-monetary relief.⁵⁹ Monetary relief was provided to 310 consumers. In sum, 910 consumers—9% of payday complainants—received some form of relief, either monetary or non-monetary, as a result of a complaint to the CFPB. (See Figure 3.)

Lenders and debt collectors in the “payday loan” categories vary greatly in the degree to which they report extending relief, either monetary or non-monetary, to consumers who complain. Of the 15 companies with the most overall complaints, Check into Cash and MNE Services were the most likely to report extending monetary or non-monetary relief, providing

relief for about 49 percent and about 45 percent of complaints, respectively. (See Table 2.)

The top five most complained about companies offered little to no relief, either monetary or non-monetary, through the CFPB complaint process. The related companies Delbert Services and CashCall notably offered no relief.

Disputed Responses

In about 14 percent of cases, a consumer was sufficiently dissatisfied with the predatory loan or debt collection company's response to the complaint that he or she disputed it via the CFPB. (See Table 3.)

Of complaints about Ad Astra Recovery Services in the “payday loan” categories, 34 percent resulted in consumers disputing the company's response to their complaint—the highest percentage of disputed responses among the 15 companies with the most overall complaints. CashCall and Delbert Services, which are affiliated companies, had the next most percentage of disputes to responses with 27% and 22%, respectively. (See Table 4.)

Figure 3. Responses to Consumer Complaints to the CFPB in the “Payday Loan” Categories

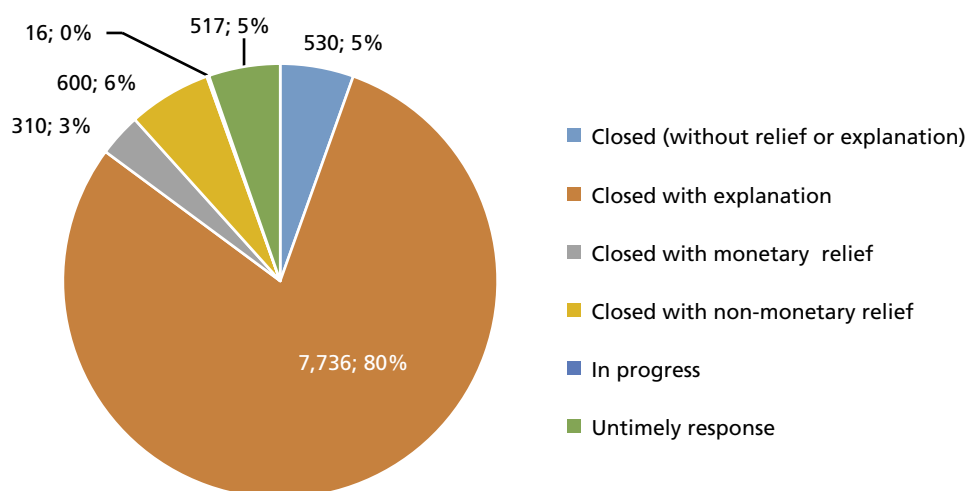


Table 2. Top 15 Most Complained About Companies in the “Payday Loan” Categories Ranked by Percentage of Complaints Granted Relief

Rank by Relief Granted	Company	Total Complaints	Closed with relief (monetary & non-monetary)	Percent Granted Relief
1	Check into Cash, Inc.	151	74	49%
2	MNE Services, Inc	212	95	45%
3	Community Choice Financial, Inc.	420	25	6%
4	Advance America, Cash Advance Centers, Inc.	228	11	5%
5	Ad Astra Recovery Services Inc	125	6	5%
6	Speedy Cash Holdings	330	14	4%
7	Enova International, Inc.	737	12	2%
8	CNG Financial Corporation	555	9	2%
9	BlueChip Financial	119	1	1%
10	ACE Cash Express Inc.	445	3	1%
11	Delbert Services	621	0	0%
12	CashCall, Inc.	482	0	0%
13	Red Rock Tribal Lending	238	0	0%
14	National Credit Adjusters, LLC	175	0	0%
15	Mobiloads, LLC	147	0	0%

Table 3. Disputes by Company Response

Company Response to Consumer	Total Complaints	Disputed Responses	% Disputed
Closed with explanation	7,736	1,173	15%
Closed (without relief or explanation)	530	75	14%
Closed with non-monetary relief	600	62	10%
Closed with monetary relief	310	25	8%
In progress	16	-	0%
Untimely response	517	-	0%
Total	9,709	1,335	14%

Table 4. Top 15 Most Complained about Companies in the “Payday Loan” Categories Ranked by Dispute-to-Complaint Ratio

Rank by Dispute-to-Complaint Ratio	Company	Total Complaints	Disputed Responses	Percent Disputed Responses
1	Ad Astra Recovery Services Inc	125	43	34%
2	CashCall, Inc.	482	130	27%
3	Delbert Services	621	134	22%
4	Speedy Cash Holdings	330	68	21%
5	BlueChip Financial	119	20	17%
6	Community Choice Financial, Inc.	420	63	15%
7	CNG Financial Corporation	555	77	14%
8	Advance America, Cash Advance Centers, Inc.	228	29	13%
9	Check into Cash, Inc.	151	19	13%
10	Enova International, Inc.	737	81	11%
11	ACE Cash Express Inc.	445	45	10%
12	National Credit Adjusters, LLC	175	14	8%
13	Red Rock Tribal Lending	238	15	6%
14	MNE Services, Inc	212	9	4%
15	Mobiloads, LLC	147	0	0%

Installment Loan and Title Loan Complaints by Company

Much of our report analyzes complaints filed under the “payday loan” topline product category and the “payday loan” sub-product category under the “debt collection” topline product category. However, there are also “installment loan” and “title loan” sub-product categories under the “consumer loan” topline product category. While most of these complaints were not against companies we know to be offering predatory products that will be covered by the CFPB’s proposed payday rule, there were complaints filed against several lenders appearing to offer higher-cost installment loans and auto title loans,

which will be covered by the CFPB’s proposed rule to end payday debt traps.⁶⁰

Out of the top 30 most complained about companies in the “installment loan” sub-product category, 9 are companies that offer higher-cost installment loans.⁶¹ (See Table 5.) CashCall and Delbert Services, which are affiliated companies, had the most complaints with 255 and 231, respectively. Together, they make up 51% of the complaints. Security Finance and Enova International had the third most higher-cost installment loan complaints with 83 each.

Out of the top 18 most complained about companies in the “title loan” sub-product category, 11 are companies that appear to offer predatory auto title loans.⁶³ Out of a total of 202 complaints among these 11 companies, TMX Finance accounts for 45% of the complaints with 91.

Table 5. Top 9 Complained about Lenders in the “Installment Loan” Category that Appear to Offer Higher-Cost Installment Loans⁶²

Rank	Company	Complaints	Percent of Complaints
1	CashCall, Inc.	255	27%
2	Delbert Services	231	24%
3	Security Finance	83	9%
4	Enova International, Inc. (DBA CashNet USA and NetCredit)	83	9%
5	World Acceptance Corporation	72	8%
6	Tower Loan	70	7%
7	Risecredit, LLC	69	7%
8	Bliksum, LLC (DBA LoanMe)	42	4%
9	CNG Financial Corporation (DBA Check 'n Go)	38	4%
	Total Complaints	943	

Payday Narratives in the Database

Each of U.S. PIRG Education Fund’s six previous reports analyzing complaints in the CFPB’s public database has made recommendations to make a good tool better. We are pleased that in March 2015 the CFPB finalized a change to the database based on one of our priority recommendations. The CFPB has added an optional “narratives” field to the database, which makes analysis of the data more robust by allowing consumers to share written explanations of their complaints.⁶⁴ For consumers who consent, the CFPB makes these narratives public after taking steps to remove personal information. More than 10,000 PIRG members urged this change during a CFPB comment period. On June 25, 2015, the first “batch” of 7,700 narratives went “live” with narratives dating back to March 19, 2015.⁶⁵

Out of the 3,695 complaints in the “payday loan” categories that have been published since March 19, 2015, there are 1,663 or 45% that include publicly published narratives.⁶⁶

We reviewed payday narratives for the problems that we and other consumer advocates consider to be most illustrative of the harms of predatory lending.⁶⁷ Most of the problems on our list are similar to or overlap in some way with the issues consumers can select when filing complaints, but several are different. Those include overdraft fees charged because collection attempts caused a negative balance; involuntary bank account closure when repeated debt collection efforts caused a borrower’s bank account to become severely overdrawn; possible ID theft; and payday lending in states where it’s not authorized.

Particularly telling from analyzing the narratives is that many complaints involve multiple problems with payday lending, illustrating the multifaceted nature of payday lending problems. However, in the CFPB database consumers have the option of selecting only one type of problem when filing a complaint.

Also of note is that 91% of all narratives showed signs that loans were unaffordable to begin with, including abusive debt collection practices, bank account closures, long-term cycles of debt, and overdrafted accounts because of collection attempts. (See Table 6.)

The following narrative complaint against CashCall from a consumer in California, a state that allows payday lending, shows multiple signs of unaffordability, including problems with both the debt trap and debt collection. The CFPB redacts information that could potentially be used to identify customers and replaces it with “XXXX.” Other than the redactions, this narrative is presented as it was originally submitted by the customer.

I took a XXXX loan from Cash Call. In taking the loan I was never disclosed the accurate interest rate. I was thrown a bunch of percentages that at the moment did n't seem to make sense. When I asked them to clarify, he told me that “ interest was higher than most loans but was n't too bad. ” That what I would want to do would be to “ pay the loan off as soon as possible ”. I thought to myself well DUH! and how bad could the interest be. I asked if they would send paper work after the loan funded so I had an accurate description of the interest. They said yes and happily took my banking information. I never received paperwork and I have come to find that I am paying roughly XXXX per month as my payment and {\$0.00} cents of that are going to principle. This cant fit in a box called fair lending. This is financial prison! They wont work with their customers and the harassment is relentless. I took off the ability for them to have ACH access to my back account and the calls have been non stop. The calls start XXXX days before the due date. On the due date last month and I logged XXXX calls to my home and cell in a XXXX hour period and into the evening. By far the worst experience I have ever had. The company seems to take pride in how they take advantage of their customers. They use no moral compass in how they navigate business. Whatever law they are operating under should be very closely looked at by the proper authorities.

A narrative from a consumer in Colorado, a state where payday lending is authorized, against Check into Cash reveals how the borrower has experienced abusive collection tactics:⁶⁹

I have a payment plan set up with these people. and the[y] [c]all me still every single day and threaten me and are very rude in the way that they speak to me. I know that I fell [behind] on the loan but I am doing the right thing to try and resolve it. I asked for a supervisor and she was just [as] unhelp and rude [as] the collector. I got XXXX and lost my job I am now on XXXX and trying my hardest to do the right thing. They told me the only way that I can pay them is over the phone and with a checking account or debit card and not other form of payment will. work.. and I set up a plan yet I get a call every day 2-3 times a day and I am over them calling me all the time.. I want the calls to stop and I want them to send me a bill. I would rather speak to my worst enemy then to these people who are so rude and disrespectful in the way the handle there calls. I worked in the collection field for over 15 years before I got sick and it sadden me to see how collector today are making the collection world out to be. I would never let a collector who was under me speak to a consumer they way that I was spoken to today.

Table 6. Different Problems Indicated by Narratives in the “Payday Loan” Categories of the Database⁶⁸

Problem	Description	# of Narratives that Include this Problem	% of Narratives that Include this Problem
Attempt to collect debt not owed	Includes debits improperly taken by lender that borrower is trying to get back.	423	26%
No documentation	Company doesn't have documentation to prove debt or won't share that documentation.	242	15%
Not authorized	Payday lending not allowed in state, lender is breaking state lending laws, or lender illegally made a loan to a member of the military.	103	6%
Payment collection method abuse	Payment collection method abuse	81	5%
Possible ID theft	Explicit or presumed ID theft	90	5%
Received loan not applied for	Received loan not applied for	20	1%
Signs of Unaffordability	Problems indicating the loan was not affordable	1,511	91%
Subcategory of Problem			
Abusive collection practices	Abusive debt collection practices	1,234	74%
Bank account closure	Involuntary bank account closure	11	1%
Long-term cycle of debt	Includes people who didn't understand fees and charges, and people who are otherwise stuck in debt	209	13%
Overdrafted because of collection attempts	Individual's bank account is overdrawn because of collection attempts	57	3%

Conclusions, Commendations and Recommendations

Conclusions

The CFPB's Consumer Complaint Database provides a rich source of information about the issues facing consumers in the financial marketplace. An analysis of the database reveals problems with a full spectrum of predatory products and services, including debt collection, short-term payday, long-term installment, and title loans. An additional analysis of narratives in the database indicate that 91% of payday related complaints with narratives showed signs that loans were unaffordable to begin with. Results of this analysis highlight the importance of strengthening the CFPB's proposed payday rule to stop the debt trap.

Commendations and Recommendations

We commend the CFPB for proposing a rule in June to rein in predatory lending.⁷⁰

The proposed rule takes an historic step by requiring, for the first time, that payday and auto title lenders determine whether

customers can afford to repay loans with enough money left over to cover normal expenses.

However, as currently proposed, lenders will be exempt from this requirement for up to six loans a year per customer. To truly protect consumers from the debt trap, it will be important for the CFPB to close exceptions and loopholes like this one in what is otherwise a well-thought-out proposal. The CFPB proposed rule could go further to enhance enforcement tools such as deeming that a loan in violation of state law is an unfair, deceptive, or abusive practice.

We also commend the CFPB for its recently announced proposed arbitration rule.

In May 2016, under explicit Congressional authority, the CFPB proposed a rule which, if approved, "would ban consumer financial companies from using mandatory pre-dispute arbitration clauses to deny their customers the right to band together to seek justice and meaningful relief from wrongdoing." In his comments, Director

Richard Cordray noted that, in response to the antagonism of the Supreme Court to consumer legal rights, Congress itself has led the way to reinstating protections:

First in the Military Lending Act, passed in 2007, Congress barred arbitration clauses in connection with certain loans made to servicemembers. In 2010, in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Congress went further by barring arbitration clauses in mortgages, which make up the largest consumer finance market. In so doing, Congress expanded on a ban that Fannie Mae and Freddie Mac had imposed several years earlier on mortgage contracts they purchased.⁷¹

The Consumer Complaint Database is an essential tool in the effort to protect consumers from deceptive and abusive practices in the financial marketplace. The CFPB has acted on recommendations we have made in previous reports to improve the quality of the Consumer Complaint Database and the effectiveness of the bureau. We commend the CFPB for:

- **Adding complaint narratives to the database.** In March 2015, the CFPB started allowing consumers to opt into publicly sharing the details of their complaints in the database. The first 7,700 narratives were published on June 25, 2015.⁷² No personally identifiable information, including demographic details, is being shared publicly.⁷³ Narratives add richness to consumer complaints, provide more detail for textual analysis by researchers and allow other consumers to spot patterns that may relate to their own experiences.
- **Adding new complaint categories.** In March 2016, the CFPB began accepting complaints about online marketplace lending.⁷⁴ Generally, the CFPB's com-

plaint database now accepts complaints about any financial product.

- **Adding tags to identify complaints submitted by older Americans and servicemembers,** groups that are frequently the target of questionable financial practices.
- **Publishing monthly complaint reports.** In July 2015, the CFPB began publishing an important monthly complaint snapshot that names the companies with the overall most complaints. Each report also drills down into one complaint category and describes complaints from one geographic area, providing additional data and insights not in the database.⁷⁵
- **Announcing a detailed effort to further assist mortgage complainants who may be at heightened risk of foreclosure.** The importance of this complaint-handling improvement was noted in a recent "Supervisory Highlight."⁷⁶
- **Allowing consumers to submit and publish responses after their complaint is closed.** The CFPB recently announced this change (which will take effect after it reviews informational comments) "to give consumers the option to provide feedback on the company's response to and handling of their complaints. The consumer would have the ability to rate the company's handling of his or her complaint on a one-to-five scale and provide a narrative description in support of the rating."⁷⁷

Additional actions the CFPB should take to improve the quality of the Consumer Complaint Database include:

- Make it easier for consumers to know which categories to select when filing a payday complaint.

- The “payday loan” top-level product category does not have any options for consumers to select payday problems with debt collection. It would be helpful to either add debt collection options to this category or provide instructions to consumers that such complaints can be filed under the “payday loan” sub-product category of the “debt collection” top-level product category.
- Many of the options on the list of payday “issues” under the “debt collection product category are too similar to each other. For example, “communication tactics”, “taking/threatening an illegal action”, “improper contact or sharing of info”, and “false statements or representation” are issues that overlap with each other. It would be helpful to provide fewer redundant options and more guidance on what the options mean.
- Analysis of the narratives indicate that many complaints involved multiple issues. However, consumers are only able to select one issue when filing complaints. Perhaps guidance on what the issue categories mean would help consumers select the issue most central and/or relevant to their complaint.
- Add more detailed information to the database, such as complaint resolution details. Expansion of complaint-level details should also include more information about amounts and types of monetary and non-monetary relief. It is critical that the CFPB achieve the disclosure of more individual complaint details while simultaneously making every reasonable effort to protect personal data.
- Add a field listing company subsidiaries, which are often the firms with which consumers actually interact. For example, Enova International, the company with the greatest number of payday complaints in the CFPB database, does business under the names of CashNetUSA and NetCredit. Adding subsidiary company information will enable consumers to better apply the information in the CFPB database to their own experiences, and to the choices they make in the marketplace.
- Strengthen the new database narrative fields by finding ways to provide public access to racial, ethnic, age and gender data that can reveal discrimination in the financial marketplace. While robust protection of personal information is a must, the lack of more demographic data from narratives limits the ability to detect possible patterns of discrimination.
- Simplify the current “view” interfaces that allow users to summarize complaint database reports in graphical and printable formats when using the database in its online format. For example, the CFPB could create automatic pre-selected radio buttons for the most common queries to make it more user-friendly for the average consumer (researchers, typically, already download the entire database into their own computers for further analysis).
- Publicize even more information about the CFPB complaints process in forums that are likely to be seen by consumers. The agency should develop more outreach mechanisms for consumer education about the database and its services for consumers, including through the creation of educational materials to be distributed on- and off-line, through holding more educational events out-

side Washington, D.C., and through partnering with non-profit organizations.

- Develop free applications (apps) for consumers to download to smartphones, allowing them to complain about a firm and receive information about how to review complaints in the database.
- Develop more Application Programming Interfaces (APIs) that allow partner organizations and agencies to embed software on their own sites, allowing their members to file complaints directly from their own sites, thereby encouraging more organizations and agencies to participate in complaint collection.⁷⁸

To improve the effectiveness of the CFPB, the agency should:

- Finalize its regulation of the prepaid card market, restrict unfair overdraft practices and high-cost, direct-deposit advance bank loans and regulate the credit reporting and debt collection “dead-end” markets more effectively.
- Continue to use the information gathered from the Consumer Complaint Database, from supervisory and examination findings and from other sources to require a high, uniform level of consumer protection and to ensure that responsible industry players can better compete with those who are using harmful practices.

Methodology

The Consumer Complaint Database

The Consumer Financial Protection Bureau (CFPB) maintains a database of complaints submitted by customers about banks and other financial institutions. The database is available for download online at www.consumerfinance.gov/complaintdatabase. Our analysis of the predatory loan sector focuses on the distribution of complaints by company and by “issue.”

How Payday Loan Complaints Are Categorized in the Database

Most predatory loan complaints to the CFPB are submitted by consumers as payday loan complaints, which are categorized in the database in two primary ways: First, “payday loan” is a top-level complaint product category. Payday loan complaints are also classified as a sub-product under the “debt collection” top-level product category. Complaints filed in both ways include problems with short-term payday loans, long-term installment loans, and with debt collectors. Therefore, we combined both categories of payday loans in the database for our analysis of those complaints.

The CFPB began collecting complaints in the “payday loan” sub-product category on October 30, 2013. It started the “payday loan” top level product category on November 6, 2013. Our report looks at complaints in both “payday loan” categories from October 30, 2013 through April 29, 2016.

Additionally, there are also “installment loan” and “title loan” sub-product categories under the “consumer loan” product category. While most of these complaints are not against companies offering predatory products, consumers did report some problems with higher-cost installment loans and auto title loans in these categories. Therefore, we have included separate analyses of complaints against top companies in these categories that appear to offer predatory products.

The CFPB started collecting complaints in the “installment loan” category on March 5, 2013 and in the “title loan” category on July 21, 2014. We reviewed data from these dates through April 29, 2016.

We looked at the 30 most complained about companies in the “installment loan” category and identified 9 companies that

appear to offer higher-cost long-term installment loans. We included companies that we could determine offer installment loans with more than 36% APR.

We only looked at the 18 most complained about companies in the “title loan” category because the companies after that only had 1 or 2 complaints each. Of the 18 companies, we identified 11 companies that appear to offer predatory auto title loans. We included companies with more than 36% APR that offer auto title loans.

Analyzing Narratives

Many narratives indicate consumer experiences with multiple problems. Therefore, we counted each narrative towards each of the problems that were indicated

in it. Put another way, many narratives are counted twice in the table about problems in the narratives. The list of problems we used to analyze the narratives came from the Consumer Federation of America which has been researching common payday problems – these problems include some issues that are categorized in the CFPB’s database and some that are not. The narrative analysis includes all complaints for which there are published narratives in the “payday loan” product category and the “payday loan” sub-product within “debt collection.” We reviewed narratives in these categories from March 19, 2015, the day narratives were first published in the database, through April 29, 2016.

Appendix A

Table A-1. Top 40 Most Complained About Companies to the CFPB about Payday Lending

Rank	Company	Complaints	Percent of Overall Complaints
1	Enova International, Inc.	737	8%
2	Delbert Services	621	6%
3	CNG Financial Corporation	555	6%
4	CashCall, Inc.	482	5%
5	ACE Cash Express Inc.	445	5%
6	Community Choice Financial, Inc.	420	4%
7	Speedy Cash Holdings	330	3%
8	Red Rock Tribal Lending	238	2%
9	Advance America, Cash Advance Centers, Inc.	228	2%
10	MNE Services, Inc	212	2%
11	National Credit Adjusters, LLC	175	2%
12	Check into Cash, Inc.	151	2%
13	Mobiloads, LLC	147	2%
14	Ad Astra Recovery Services Inc	125	1%
15	BlueChip Financial	119	1%
16	Cottonwood Financial Ltd.	114	1%
17	Enhanced Acquisitions, LLC	113	1%
18	GVA Holdings, LLC	97	1%
19	Solidus Group LLC.	95	1%
20	EZCORP, Inc.	93	1%
21	Premier Recovery Group	84	1%

Rank	Company	Complaints	Percent of Overall Complaints
22	Risecredit, LLC	79	1%
23	High Point Asset Inc	76	1%
24	Concord Resolution Inc (Closed)	73	1%
25	ARM WNY LLC	71	1%
26	Delray Capital, LLC	65	1%
27	Global Recovery Group	60	1%
28	Security Finance	59	1%
29	Oracle Financial Group LLC.	58	1%
30	Dynamic Recovery Solutions, LLC	58	1%
31	Cash America International, Inc.	53	1%
32	LDF Holdings, LLC	53	1%
33	Synchrony Financial	50	1%
34	World Acceptance Corporation	49	1%
35	AALM Consulting Services LTD (International company)	47	0%
36	Turning Point Solutions LLC	47	0%
37	DFC Global Corp	42	0%
38	Integrated Recovery Services	42	0%
39	National Principal Group, LLC	42	0%
40	Zarvad III S.A.	40	0%
	Total	6,645	68%

Appendix B: Searchable Public Databases of Complaints to Government Agencies

The CFPB's searchable complaint database is the newest of a set of federal government complaint databases that help consumers make better economic and safety choices by reviewing others' experiences and searching for problems or product recalls. This transparency also helps firms improve their products and services. Here is information on how to contact the CFPB and some of the other public databases maintained by government agencies. U.S. PIRG Education Fund visited each of the other databases, and a quick overview of their contents and ease of use is below. A more detailed review can be found at www.uspirgedfund.org/issues/usf/consumer-tips.

CFPB's Searchable Financial Services Complaint Database: The CFPB Consumer Complaint Database discloses data associated with financial institutions and their practices to help provide consumers with recent and comprehensive information to make responsible decisions

concerning their finances and to enhance the market's ability to operate efficiently and transparently. The CFPB provides public access to an electronic database that contains individual fields for each unique complaint. In short, this allows consumer complaints to be easily accessible in a data-rich format. The CFPB's goal is to improve the transparency and efficiency of the monetary market and further empower the American consumer.

The database can be viewed at: www.consumerfinance.gov/complaintdatabase.

Consumers may submit complaints to the CFPB at www.consumerfinance.gov/complaint.

Consumer complaints can also be made by phone (855-411-2372), fax (855-237-2392), postal mail (P.O. Box 4503, Iowa City, Iowa 52244), and e-mail (info@consumerfinance.gov).

Safecar.gov: The National Highway Traffic Safety Administration (NHTSA), according to its website, was established

in 1970 to direct highway safety and consumer programs. Safercar.gov, established online in 1994, allows consumers to identify and report problems or file a complaint about their vehicle, tires, equipment or car seats by phone, by filling out a PDF for email, or through an electronic form on the agency's website. All information to file a complaint or search the database can be found on the website's home page, www.safercar.gov. Logging onto the website, consumers can quickly and easily navigate to see other complaints (www-odi.nhtsa.dot.gov/owners/SearchSafetyIssues) as well as find the link to file their own complaint and access investigations, complaints or recall reports). The database can also be exported (downloaded) for further analysis at www-odi.nhtsa.dot.gov/downloads/.

U.S. PIRG Education Fund's Overall Review for Safercar.gov: This user website is generally easy to navigate and accessible for the average consumer. The homepage clearly gives the consumer specific tabs on the homepage labeled "vehicle shoppers," "vehicle owners," "vehicle manufacturers" and "parents central" for general navigation. Also included on the homepage are direct links (on the bottom half of the page) to file a complaint, search for recalls and previous complaints, and get help with a car seat. The actual process of filing a complaint is straightforward and is broken down in such a way that is not time consuming.

Saferproducts.gov: The United States Consumer Product Safety Commission (CPSC), created in 1972 through the Consumer Product Safety Act, is an independent agency of the United States government. It has authority to investigate and recall 15,000 different types of consumer products ranging from toasters and dishwashers to bicycles, clothing, cribs and children's toys. In 2008 the Consumer Product Safety Improvement Act was passed; the new law established authority

for a searchable public consumer products database that went live in 2011.

The main page for the website is: www.saferproducts.gov. Complaints may be filed at www.saferproducts.gov/CPSRM-SPublic/Incidents/ReportIncident.aspx. At the main page, (www.saferproducts.gov/Search/default.aspx) consumers and researchers can view incident reports or recalls or both, by product category, or they can export the database for additional analysis.

U.S. PIRG Education Fund's Overall Review for Saferproducts.gov: When searching recalls on saferproducts.gov, consumers are easily able to search directly for what they're looking for. The website is broken down into easily identifiable sections; whether the consumer is seeking to file a report or review reports and recalls, the site offers links to each popular section on the homepage. The actual database of consumer reports and recalls is somewhat difficult to download, understand and read. However, there is also an easy-to-use online search engine, which includes photos and icons for complaint categories, and specific tabs and links to navigate to the pages of the site they wish to view.

Air Travel Consumer Report: The United States Department of Transportation (DOT), established by act of Congress in 1966, supervises vital means of transportation throughout the United States, including travel by air. The Air Travel Consumer Report is a monthly product of the Department of Transportation's Office of Aviation Enforcement and Proceedings (OAEP). The report is designed to assist consumers with information on the quality of services provided by airlines.

The home page for the U.S. DOT is www.dot.gov. The link for filing complaints is www.dot.gov/airconsumer/file-consumer-complaint. The link for reviewing monthly reports is www.dot.gov.

gov/airconsumer/air-travel-consumer-reports. U.S. DOT maintains a directory of air travel tips for consumers available here: www.dot.gov/airconsumer/air-travel-tips. Complaints can also be submitted by phone (202-366-2220; TTY 202-366-0511) and postal mail (Aviation Consumer Protection Division C-75, U.S. Department of Transportation, 1200 New Jersey Ave S.E., Washington, D.C. 20590).

U.S. PIRG Education Fund's Overall Review for U.S. DOT's Air Travel Consumer Report: Air travel complaint reports are issued monthly. Unlike the other databases, which can be searched and downloaded, the DOT air travel database is summarized into monthly reports in PDF format. It includes information on air travel problems including late arrivals and lost luggage disputes. U.S. PIRG Education Fund has on several occasions urged U.S. DOT to make these data more user-friendly to consumers and researchers. U.S. DOT does maintain other pages of downloadable information, but not for air travel complaints.

MyEdDebt.ed.gov: The U.S. Department of Education, at the urging of the National Consumer Law Center, has recently improved the borrower complaint process by allowing access to a centralized complaint system. This has been a crucial step forward for defaulted borrowers who previously could not find the complaints section when visiting the federal student aid website, and were not given specific guidance with the most common concerns. **Note:** Depending on the browser you use, accessing this site may require you to allow a security exception, since the site's certificate appears out-of-date.

U.S. PIRG Education Fund's Recommendations: Using the CFPB's complaints database as a model, we recommend that the Department of Education also create a searchable database to track all federal borrower complaints, outside of those for which the borrower is in default. Additionally, the department should make aggregated complaint data public. Tracking the data will help borrowers and advocates, and will also help the agency drive oversight and compliance actions.

Endnotes

1 CFPB, *CFPB Publishes Over 7,700 Consumer Complaint Narratives About Financial Companies* (press release), 25 June 2015.

2 “Payday loan” is a top-level product category. There is also a “payday loan” sub-product category under the “debt collection” top-level category.

3 “Installment loan” and “title loan” are both sub-product categories under the “consumer loan” top-level category. Most of the total complaints filed in those ways are not about predatory products. However, these categories do include complaints against companies offering products expected to be covered by the CFPB. This report includes separate analyses of the complaints in these categories that are against the most complained about companies offering predatory products.

4 Since it began accepting payday complaints on October 30, 2013, until April 29, 2016, the CFPB has published 9,709 complaints about payday loans. See Methodology for dates when the CFPB started collecting complaints against different predatory products.

5 Out of 9,709 complaints against 641 companies, 15 companies account for 51% of all payday complaints to the CFPB. Put another way, just over 2% of the companies account for 51% of the payday complaints.

6 Community Financial Services Association of America, *CFSA Board of Directors*, accessed at www.cfsaa.com/about-cfsa/board-of-directors.aspx, 24 August 2016; Financial Service Centers of America, *FiSCA Board of Directors*, accessed at www.fisca.org/Content/Navigation-Menu/AboutFISCA/BoardofDirectors, 24 August 2016; Online Lenders Alliance, *Board of Directors*, accessed at www.onlinelendersalliance.org/about/board-of-directors, 24 August 2016. These associations don’t disclose full lists of their members, so we might not be aware of all members of associations among the top 15 most complained about companies. But we identified five board members of CFSA, two board members of FiSCA, and one board member of OLA.

7 Community Financial Services Association of America, *CFSA Member Best Practices*, accessed at www.cfsaa.com/cfsa-member-best-practices.aspx, 24 August 2016; Financial Service Centers of America, *FiSCA Best Practices*, accessed at www.fisca.org/Content/Navigation-Menu/AboutFISCA/CodesofConduct, 24 August 2016; Online Lenders Alliance, *OLA Best Practices*, accessed at www.onlinelendersalliance.org/best-practices, 24 August 2016.

8 CFPB, *CFPB Sues CashCall for Illegal Online Loan Servicing* (press release), 16 December 2013.

9 Washington State Department of Financial Institutions, *Miami Nation Enterprises – Unlicensed Payday Loans*, accessed at www.dfi.wa.gov/consumer/alerts/miami-nation-enterprises-unlicensed-payday-loans, 24 Aug 2016.

10 Complaints filed under the payday loan product category are broken down further into seven “issue” categories, which can be thought of as types of payday problems consumers have experienced. Payday complaints filed as a sub-product under the debt collection product category are broken down into six “issue” or problem categories. We analyzed the issues between the payday product and sub-product categories together. The issues that we have categorized as “Remaining 7 issues” are categorized in the database as “false statements or representation,” “disclosure verification of debt,” “received a loan I didn’t apply for,” “can’t stop charges to bank account,” “applied for loan/did not receive money,” “payment to account not credited,” and “charged bank account wrong day or amount.”

11 Published narratives in the database date back to March 19, 2015. We looked at complaints until April 29, 2016, the date we downloaded the database for analysis.

12 Most of the complaints in the “installment loan” sub-category of the “consumer loan” category are not about predatory products. We looked at the 30 most complained about companies in the “installment loan” category and identified 9 companies that appear to offer higher-cost long-term installment loans. We included companies that we could determine offer installment loans with more than 36% APR.

13 Most of the complaints in the “title loan” sub-category of the “consumer loan” category are not about predatory products. We only looked at the 18 most complained about companies in this category because the companies after that only had 1 or 2 complaints each. Of the 18 companies, we identified 11 companies that appear to offer predatory auto title loans. We included companies with more than 36% APR that offer auto title loans. TMX Finance accounted for 91 out of 202 complaints among the 11 companies.

14 See note 12.

15 CFPB, *Consumer Financial Protection Bureau Proposes Rule to End Payday Debt Traps* (press release), 2 June 2016.

16 CFPB, *About Us*, accessed at www.consumerfinance.gov/about-us, 15 July 2016.

17 CFPB, *The Bureau*, accessed at www.consumerfinance.gov/the-bureau, 15 July 2016.

18 CFPB, *Consumer Financial Protection Bureau: By the Numbers*, July 2016; CFPB, *Consumer Financial Protection Bureau: By the Numbers*, 8 April 2016.

19 CFPB, *Supervisory Highlights Volume 12*, June 2016.

20 See note 18.

21 Ibid.

22 The CFPB cites a higher number of total complaints *received*. However, the CFPB’s online complaint database only publishes complaints with enough information to be sent to companies for responses. See CFPB, *Consumer Complaint Database*, accessed at www.consumerfinance.gov/data-research/consumer-complaints, 29 April 2016.

23 See note 18.

24 The CFPB provides answers to hundreds of financial questions at www.consumerfinance.gov/askcfpb.

25 See note 18.

26 CFPB, *Information for Servicemembers*, accessed at www.consumerfinance.gov/servicemembers, 23 August 2016.

27 See note 18.

28 Ibid.

29 CFPB, *Consumer Financial Protection Bureau: Enforcing Consumer Protection Laws* (fact sheet), 15 July 2015; CFPB, *Newsroom*, filtered by payday loans, accessed at www.consumerfinance.gov/about-us/newsroom/?form-id=0&filter0_title=&filter0_topics=Payday+loans&filter0_from_date=&filter0_to_date=, 15 July 2016.

30 David Silberman, CFPB, *New Research Shows Online Payday Loan Borrowers Rack Up Steep Fees*, accessed at www.consumerfinance.gov/about-us/blog/new-research-shows-online-payday-loan-borrowers-rack-steep-fees, 20 April 2016; CFPB, *Online Payday Loan Payments*, April 2016.

31 CFPB, *Consumer Response Annual Report*, March 2016.

32 Department of Justice, *Nearly 78,000 Service Members to Begin Receiving \$60 Million Under Department of Justice Settlement with Navient for Overcharging on Student Loans* (press release), 28 May 2015; Karl Baker, “Navient Faces Lawsuit after Clinton Critique,” *The News Journal*, 30 June 2016.

33 CFPB, *Submit a Complaint*, accessed at www.consumerfinance.gov/complaint/process, 15 July 2016.

34 See note 31.

35 For a detailed history of early 20th century work on rate caps and predatory lending by the Russell Sage Foundation, see Lauren K. Saunders, National Consumer Law Center, *Why 36%? The History, Use, and Purpose of the 36% Interest Rate Cap*, April 2013. Also see Kristin Choo, “House of Cards,” *American Bar Association (ABA) Journal*, 1 March 2010 for a quote by Professor Christopher Peterson: “As far back as the 18th century B.C., the Code of Hammurabi prohibited usury by capping interest rates for grain at 33 1/3 percent and 20 percent for silver. Before we had invented money, we had interest caps on loans.”

36 We discuss this in detail in two early reports, jointly with the Consumer Federation of America. See CFA and the State PIRGS, *Show Me the Money!*, February 2000; CFA and U.S. PIRG, *Rent-A-Bank Payday Lending*, November 2001.

37 CFPB, *The Extension of High-Cost Credit to Servicemembers and Their Families*, December 2014.

38 Barbara Miskin, “Defense Department Dramatically Expands Scope of Military Lending Act,” *The CFPB Monitor*, 27 July 2015. For the full rule adding to the act, see Department of Defense. Final Rule. “Limitations on Terms of Consumer Credit Extended to Service Members and Dependents,” *Federal Register* 80, No. 140 (22 July 2015): 43560, available at www.gpo.gov/fdsys/pkg/FR-2015-07-22/pdf/2015-17480.pdf.

39 Center for Responsible Lending, *Ending the Cycle of Evasion: Effective State and Federal Payday Lending Enforcement*, November 2015.

40 CFPB, *Payday Loans and Deposit Advance Products*, 24 April 2013.

41 CFPB, *CFPB Finds One-in-Five Auto Title Loan Borrowers Have Vehicle Seized for Failing to Repay Debt* (press release), 16 May 2016; CFPB, *Single-Payment Vehicle Title Lending CFPB*, May 2016.

42 Nick Bourke et al, Pew Charitable Trusts, *Auto Title Loans: Market Practices and Borrowers’ Experiences*, March 2015.

43 For examples see Ben Hall, “Lawmakers Took Payday Lenders’ Money, Asked Few Questions,” *News Channel 5*, 17 February 2016; Maureen Smith, “Governor Signs Payday Loan Expansion Despite Opposition, Protests,” *Mississippi Catholic*, 26 May 2016.

44 See note 40.

45 CFPB, *CFPB Data Point: Payday Lending*, March 2014.

46 CFPB, *CFPB Takes Action Against ACE Cash Express for Pushing Payday Borrowers Into Cycles of Debt* (press release), 10 July 2014.

47 CFPB, *CFPB Considers Proposal to End Payday Debt Traps* (press release), 26 March 2015.

48 See note 15.

49 The CFPB originally announced the rule on June 2, 2016. On 22 July 2016 it extended the comment period until October 7, 2016. See the rule and additional documents at www.regulations.gov/document?D=CFPB-2016-0025-0001

50 U.S. PIRG et al, *Joint Statement Opposing Exceptions To CFPB Payday Rule from 11 Leading Consumer, Community, Religious and Civil Rights Organizations*, 20 June 2016.

51 Delvin Davis, Robin Howarth, and Sarah Wolff, Center for Responsible Lending, *Shark Free Waters: States are Better Off without Payday Lending*, August 2016.

52 See note 22.

53 While the CFPB began collecting complaints in the “payday loan” sub-product category on October 30, 2013, it started the “payday loan” top level product category on November 6, 2013.

54 See note 10.

55 See note 8.

56 See note 7.

57 Washington State Department of Financial Institutions, Miami Nation *Enterprises – Unlicensed Payday Loans*, accessed at www.dfi.wa.gov/consumer/alerts/miami-nation-enterprises-unlicensed-payday-loans, 24 Aug 2016.

58 The CFPB describes “closed with explanation” as an “...explanation that was tailored to the individual consumer’s complaint. For example, this category would be used if the explanation substantively meets the consumer’s desired resolution or explains why no further action will be taken.” See CFPB, *Consumer Response Annual Report*, March 2016.

59 An example of non-monetary relief is the stopping of harassing debt collection calls. See CFPB, *Consumer Response Annual Report*, March 2016.

60 The CFPB started collecting complaints in the “installment loan” category on March 5, 2013 and in the “title loan” category on July 21, 2014. We reviewed data from these dates through April 29, 2016.

61 See note 12.

62 Ibid.

63 See note 13.

64 CFPB, *CFPB Finalizes Policy to Give Consumers the Opportunity to Voice Publicly Complaints about Financial Companies* (press release), 19 March 2015.

65 For the main database, see CFPB, *Consumer Complaint Database*, accessed at www.consumerfinance.gov/data-research/consumer-complaints, 29 April 2016. The CFPB has also created a “view” which generates only complaints containing narratives. See CFPB, *Consumer Complaints with Consumer Complaint Narratives*, accessed at data.consumerfinance.gov/d/nsyy-je5y, 29 April 2016.

66 See note 11.

67 This list was created by Tom Feltner, Director of Financial Services at the Consumer Federation of America and steering committee member at Americans for Financial Reform.

68 Many narratives indicate consumer experiences with multiple problems. Therefore, we counted each narrative toward each of the problems that were indicated in it. Put another way, many narratives are counted twice in this chart. The list of problems we used to analyze the narratives came from the Consumer Federation of America which has been researching common payday problems – these problems include some issues that are categorized in the CFPB’s database and some that are not.

69 The CFPB redacts information that could potentially be used to identify customers and replaces it with “XXXX.” Other than the redactions, this narrative is presented as it was originally submitted by the customer.

70 See note 15.

71 Richard Cordray, CFPB, *Prepared Remarks of CFPB Director Richard Cordray at the Field Hearing on Arbitration Clauses*, 5 May 2016.

72 See note 1.

73 See note 64.

74 CFPB, *CFPB Now Accepting Complaints on Consumer Loans from Online Marketplace Lender* (press release), 7 March 2016.

75 CFPB, *CFPB Launches Its First-Ever Monthly Complaint Snapshot to Spotlight Consumer Trends* (press release), 16 July 2015.

76 CFPB, *Supervisory Highlights: Mortgage Servicing Special Edition*, June 2016.

77 Chris Johnson, CFPB, *Working to Continually Improve the Complaint Process for All*, accessed at www.consumerfinance.gov/about-us/blog/proposed-new-information-collection-part-complaint-process, 29 July 2016.

78 Any organization can link directly to the CFPB complaint site today, of course; however, many organizations may prefer to keep their members visiting their own sites, not leaving for a different site.