

VIRGINIA BANKERS ASSOCIATION

October 7, 2016

Via e-mail: FederalRegisterComments@cfpb.gov

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

**RE: Payday, Vehicle Title, and Certain High-Cost Installment Loans; Proposed Rule
Docket No. CFPB-2016-0025; RIN 3170-AA40**

Dear Ms. Jackson,

Thank you for the opportunity to comment on the Payday, Vehicle Title, and Certain High-Cost Installment Loans proposed rule (the “Proposed Rule”). As its name implies, the Proposed Rule is intended to regulate abusive lending activities by non-bank payday lenders, vehicle title lenders and other non-bank small-dollar loan lenders. Unfortunately, the overly-broad Proposed Rule unintentionally and unnecessarily prohibits legitimate, non-abusive small-dollar lending by regulated banks. The Proposed Rule should be amended to provide a simple, easy to apply exemption for all banks or banks that make a limited number of small-dollar loans each year.

The CFPB attempted to include an exemption for accommodation loans by banks. Unfortunately, the proposed exemption is inadequate, unnecessarily complex and overly burdensome to apply. The exemption would not apply to many small-dollar loans made by banks and would require banks to expend significant time and resources to evaluate the application of the intricate requirements of the exemption to every small-dollar loan they make. The proposed exemption should be replaced with an exemption that applies to all small-dollar bank loans and is easy to implement. One suggestion is to simply exempt all federal and state chartered banks that are regulated and supervised by federal and state bank regulators. Other suggestions include exempting banks making a limited number of small-dollar loans per year or banks whose small-dollar loan originations or loan portfolio represent a small percentage of the bank’s total loan originations or loan portfolio.

For banks, small-dollar lending is not their core business. They make these loans as an accommodation to customers that have core deposit and loan relationships with the bank. These loans are made to demonstrate customer appreciation and to preserve and enhance the customer relationship. Banks generally do not seek to make profits on these loans, but instead look to break even or limit their losses on these loans. The Proposed Rule’s limits on small-dollar lending are not needed for banks because banks are not incentivized to make abusive small-dollar loans. Small-dollar lending is not a significant revenue and profit center for banks, and banks will not want to harm their core customer relationships by making abusive small-dollar loans. Further, unlike payday lenders and title lenders, federal and state chartered banks are heavily regulated and supervised by federal and state bank regulators that have extensive powers to prevent, identify and punish abusive small-dollar lending activities by banks.

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For the reasons stated above, we respectfully request that the CFPB replace the proposed exemption with a simple exemption that exempts all banks or all banks making a limited volume of small-dollar loans. Thank you considering our request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bruce T. Whitehurst".

Bruce T. Whitehurst
President and CEO

The Virginia Bankers Association represents banks of all sizes and charters and has served as the organized voice for Virginia's \$615 billion banking industry and its 70 thousand employees since 1893.