

To: Interested Parties
 From: Lake Research Partners and Chesapeake Beach Consulting
 Re: Latino Support for Financial Regulation and Enforcement
 Date: January 30, 2015

Our new bipartisan poll of likely 2016 voters nationwide¹ finds that Latino voters strongly oppose numerous payday lending practices and support financial regulations and enforcement by the Consumer Financial Protection Bureau (CFPB).

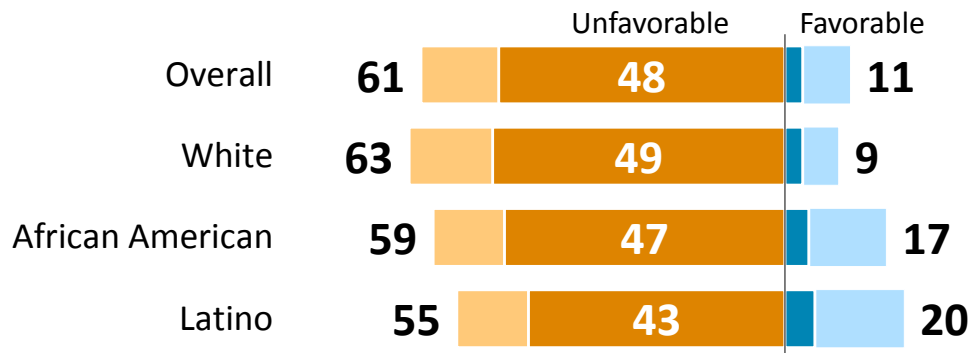
Like voters of other races, Latino voters have a negative opinion of payday lenders and would support a variety of payday lending reforms. As compared to other ethnic groups, Latino voters are particularly opposed to payday lenders having direct access to borrowers' bank accounts, and the support they offer for various reform proposals is comparable to other groups. On the other hand, Latinos tend to express less negative impressions of payday lenders, as compared to voters of other races, and they tend to be more divided on head-to-head arguments for and against payday lending.

Latinos are the least likely to be familiar with the Consumer Financial Protection Bureau, but they support the agency and its enforcement activities by wide margins in the face of counterarguments about it being unaccountable or overstepping its bounds.

OPPOSITION TO PAYDAY LENDING ABUSES AND SUPPORT FOR REFORMS

A majority of Latino voters have negative attitudes towards payday lenders, while only one in five reports a favorable view. Notably, however, voters of other ethnicities are even more unfavorable toward payday lenders.

Favorability: Payday Lenders
 (Darker Colors = strongly favorable/unfavorable)



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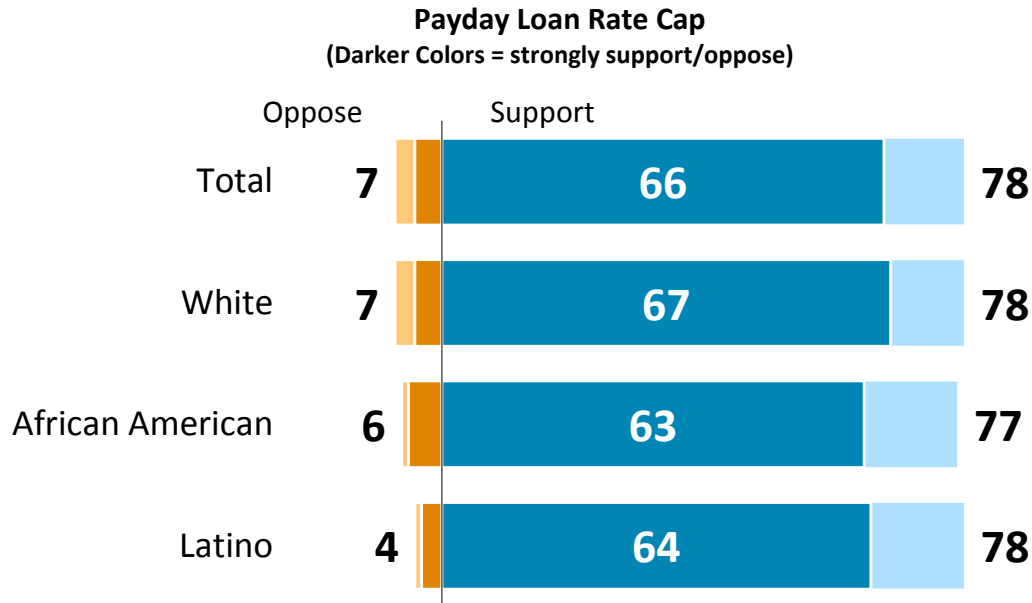
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¹ Lake Research Partners and Chesapeake Beach Consulting conducted a survey of 800 likely 2016 voters nationwide, from January 13-19, 2015. The margin of error of the survey is +/- 3.5%.

Interest Rates

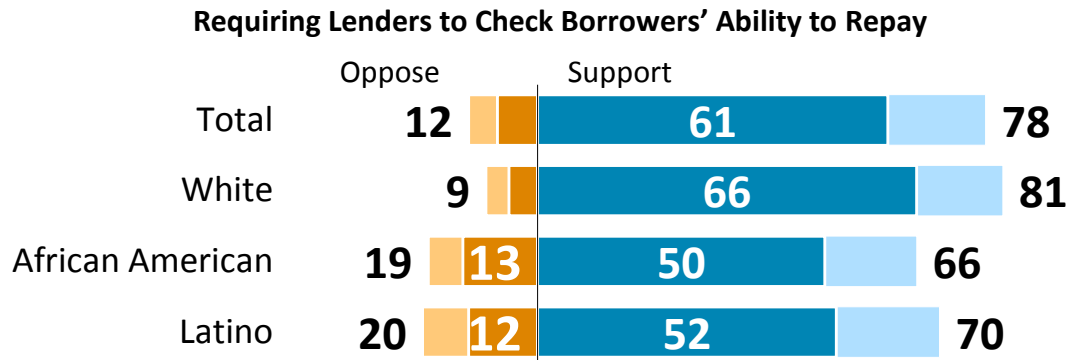
Similar to voters of other ethnicities, nearly four-fifths of Latinos would support a cap on the amount of interest payday lenders are allowed to charge, including nearly two-thirds who would strongly support such a rate cap.²



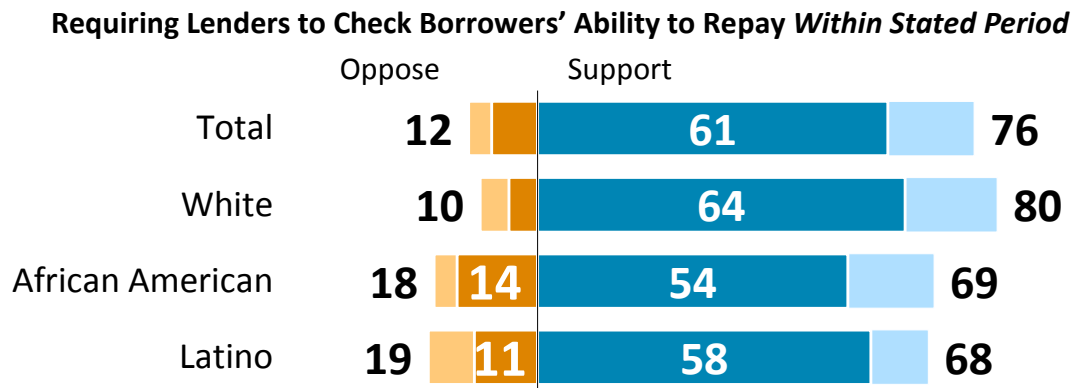
² Currently, the average annual interest rate on payday loans is 391 percent. Would you support or oppose a proposal to put [a much lower cap on the interest rates that payday lenders may charge/a cap on the interest rates that payday lenders may charge to no more than 36 percent], or aren't you sure?

Ability to Repay

Seven in ten Latino voters support a proposal that payday lenders be required to check a borrower's ability to repay a loan, including a majority who are strongly supportive.³ White voters are even more enthusiastic.



By a similar margin (68% support, 19% oppose), Latinos would support a rule that payday lenders be required to check a borrower's ability to repay a loan *within that loan's stated time period*.⁴

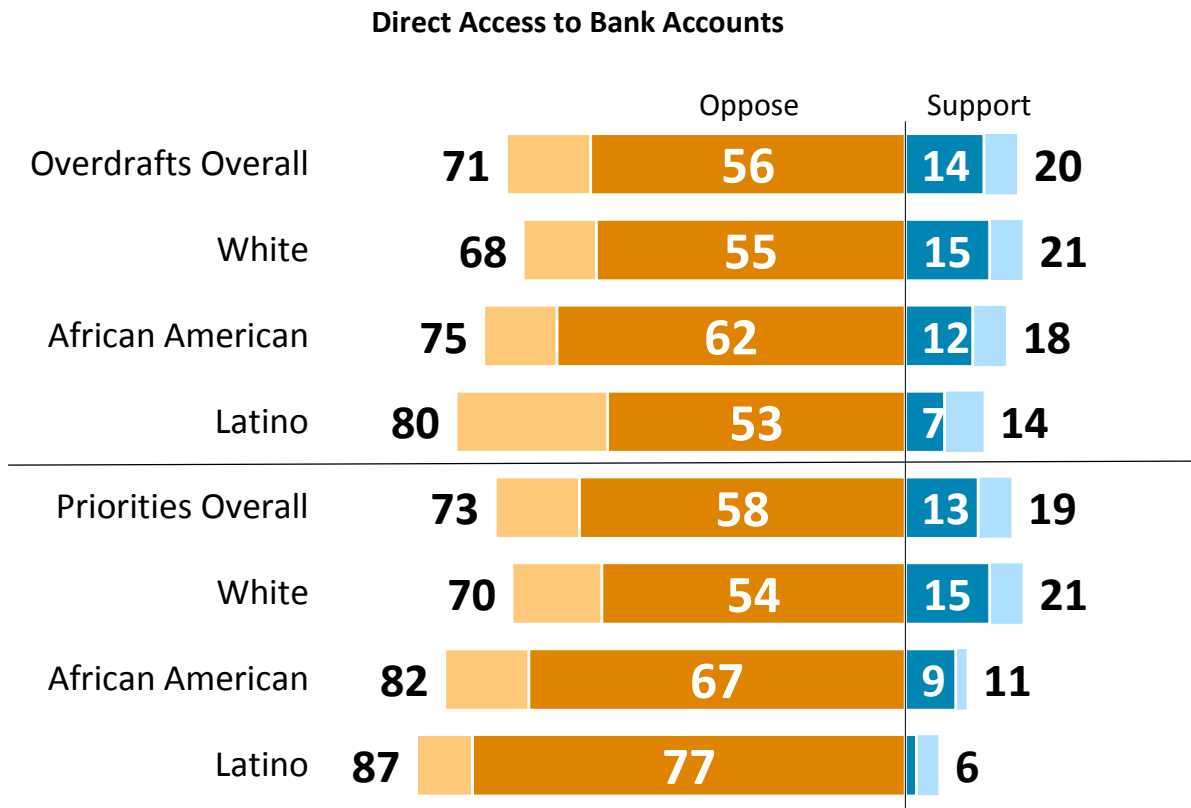


³ The Consumer Financial Protection Bureau is currently writing new rules for payday lending. One new requirement may be that, before issuing a loan, payday lenders would have to consider the borrower's current expenses and income, and only issue loans to those likely to be able to repay their loans. Currently there is no requirement that payday lenders make any effort to verify borrowers' ability to repay loans. Would you support or oppose this new rule that payday lenders be required to check a borrower's ability to repay a loan before lending the money, or aren't you sure?

⁴ Payday loans are sold as two week loans, due on the borrower's next payday. However, many borrowers cannot repay these loans after two weeks. So, payday lenders re-lend to the borrower, charging new interest each time. On average, borrowers end up being in debt for an average of six months. Would you support or oppose a new rule that payday lenders be required to check a borrower's ability to repay a payday loan within that loan's stated time period before lending the money, or aren't you sure?

Bank Account Access

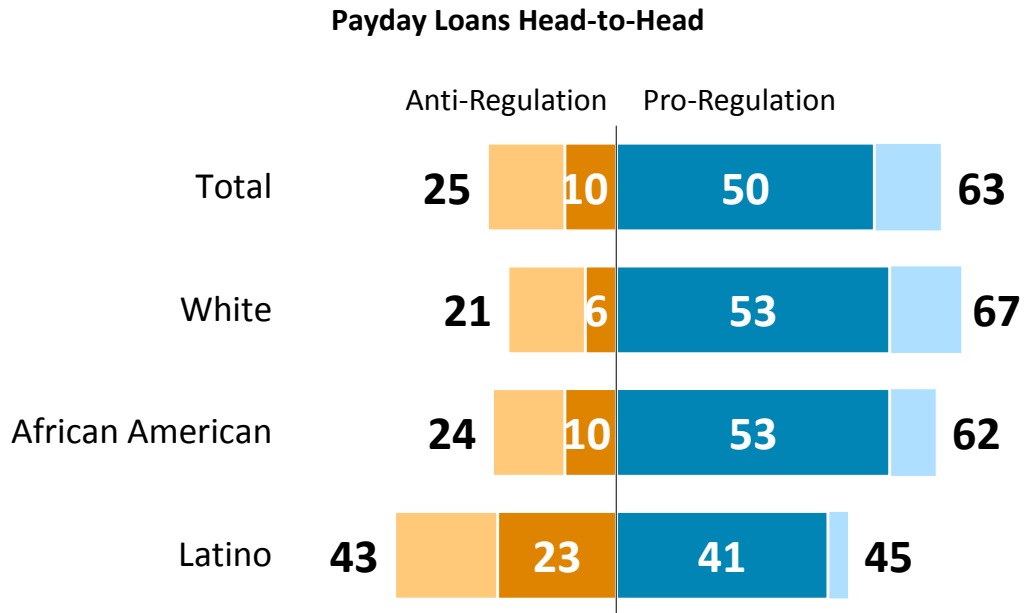
Latino voters are more opposed than voters of any other ethnicity to the phenomenon of payday lenders having direct access to borrowers' bank accounts.⁵ Latinos are especially concerned about payday lender withdrawals tasking precedence over other expenses such as food and utilities (77% strongly opposed).



⁵ When borrowers take out payday loans, payday lenders receive direct access to their bank accounts. As soon as new money is deposited in the bank account, lenders are able to withdraw this money, [which often triggers overdraft fees because there is not enough money in the account/putting lenders first in line, ahead of borrowers' food, utilities, and other expenses.] Do you support or oppose this arrangement, allowing payday lenders direct access to borrowers' bank accounts, or aren't you sure?

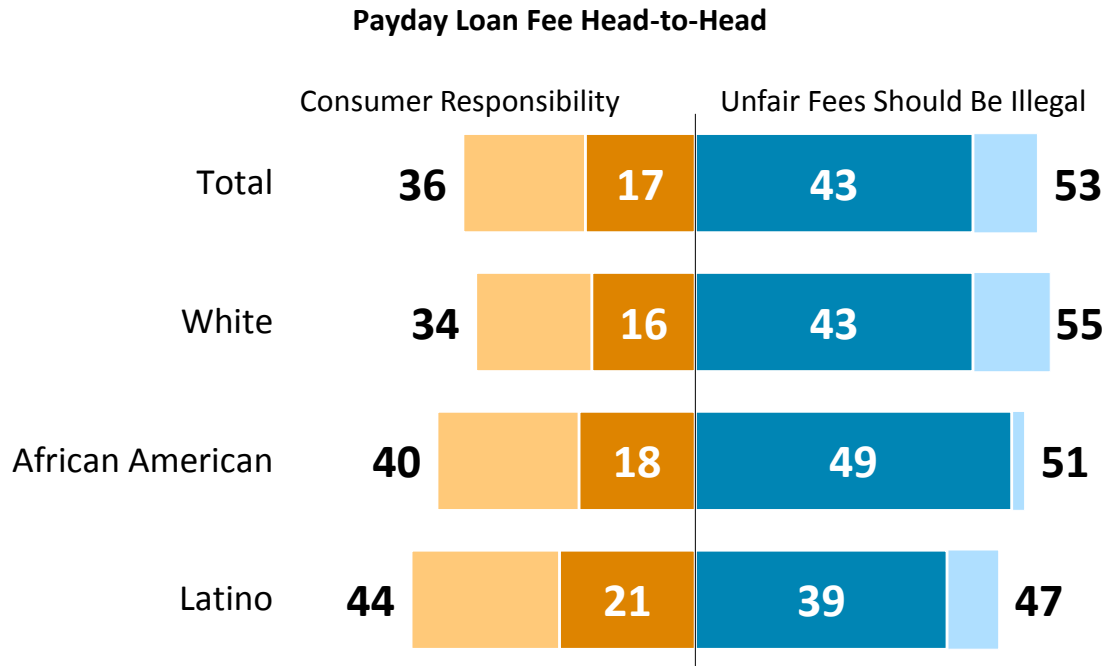
Payday Loans Head-to-Head

Unlike voters of other ethnicities, Latinos are closely split between an argument in favor of regulating payday loans and a counterargument defending the usefulness of these loans and the advantages of more latitude for lenders.⁶ Still, they offer more intense support to the pro-regulation side.



⁶ Next I'd like to read you a pair of statements about payday loans. Of the two, please tell me which statement is closer to your own views, even if neither is exactly right. [ROTATED] (Some/other people say) Too often, high-cost payday loans trap people in a long-term cycle of debt. When borrowers struggle to repay, lenders gladly extend the loans they know borrowers can't afford, adding more fees and interest and eventually forcing borrowers to default on other bills. Before issuing a loan, payday lenders should have to make sure the loan is not likely to trap the borrower in a cycle of debt. (Some/other people say) Payday loans are a helpful source of credit for low-income workers and families who don't have access to full-service banks. People rely on these loans when they are short on cash and have nowhere else to turn. The big government regulations some are proposing will put most payday lenders out of business, which will mean less access to credit and fewer options for consumers.

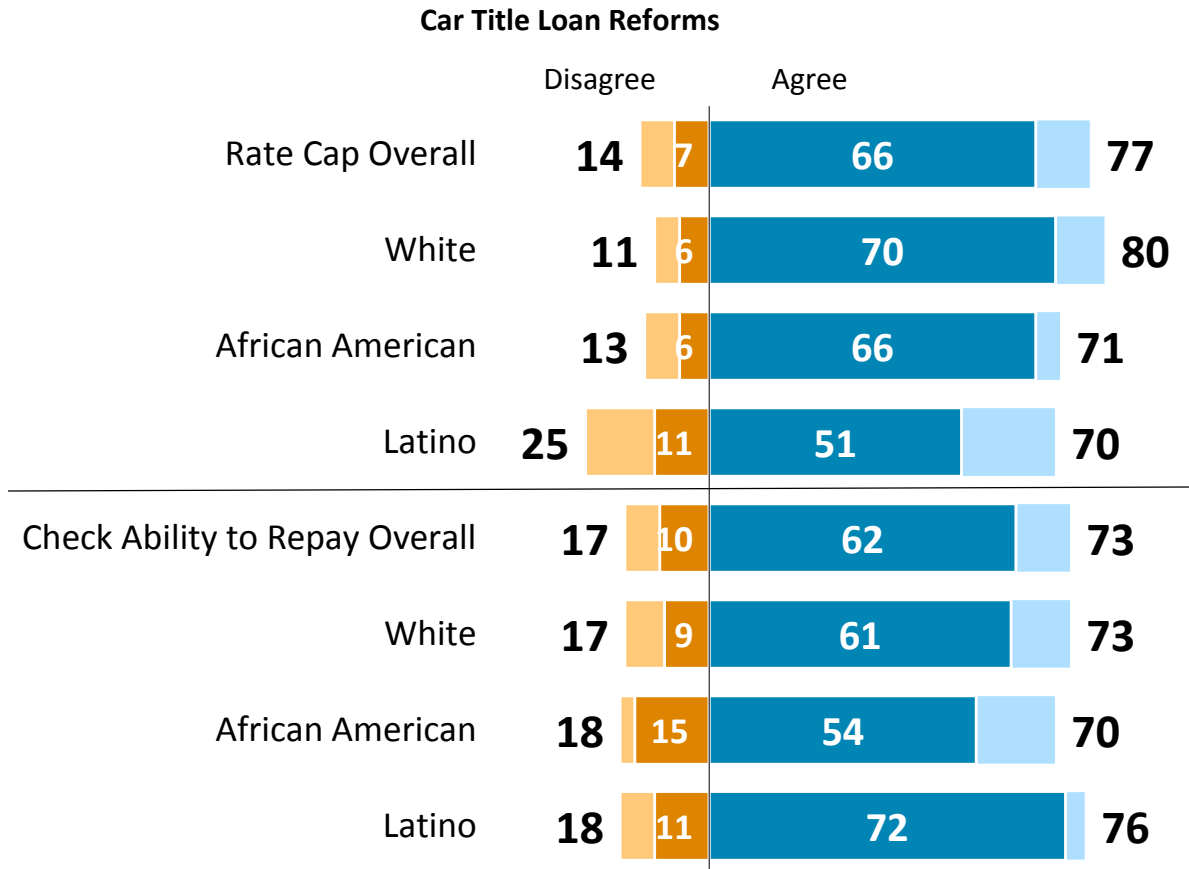
Similarly, Latinos are split in a head-to-head argument pitting borrowers' responsibility to read the fine print against the argument that unfair fees should not only be disclosed but prohibited.⁷ Again, in terms of intensity, they lean more towards the pro-regulation side.



⁷ Next I'd like to read you a pair of statements about payday loan fees. Of the two, please tell me which statement is closer to your own views. [ROTATED] (Some/other people say) Disclosure of fees and charges is not enough to protect borrowers from unfair and abusive payday loan fees. Regular consumers can't be expected to recognize fees hidden in fine print and written in legalese. We shouldn't just require lenders to disclose fees; unfair and abusive rates should be illegal. (Some/other people say) It is the responsibility of consumers to make educated borrowing decisions. When you take out a payday loan, it's your job to read the terms of the loan. If payday lenders follow the rules and disclose the fees associated with the loan, they should not be blamed when a consumer fails to read the fine print.

Car Title Loans

Seven in ten Latino voters support proposals to curb car title loan practices. They are somewhat less supportive of the rate cap proposal (25% disagree, though 70% still agree). However, across ethnicities, they are the most enthusiastic about a requirement that car title lenders be required to assess borrowers' ability to repay (72% strongly agree).⁸



⁸ When borrowers take out car title loans, they put up their car as collateral for a loan. These are short-term loans, usually 30 days, and charge annual interest rates over 300 percent. If a borrower defaults on the loan, the lender takes the borrower's car. [Do you agree or disagree that there should be a cap on the interest rates lenders can charge for these car title loans, or aren't you sure?/Do you agree or disagree that lenders should be required to assess a borrower's ability to repay before making a car title loan, or aren't you sure?]

CFPB ENFORCEMENT AND REGULATION

Latinos are the racial group least familiar with the Consumer Financial Protection Bureau. Over three-fifths (61%) have no opinion or have never heard of the agency, compared to a narrow majority of whites (56%) and fewer than half of African-Americans (44%). There are also the least favorable toward the CFPB (32% favorable, compared to 35% among whites and 48% among African-Americans), mostly as a result of their lower level of familiarity.

Over three-fifths of Latino voters favor an argument about the importance of the CFPB over a counterargument calling the CFPB an unaccountable government bureaucracy. A pro-CFPB argument stressing the power of Wall Street and the need for enforcement resonates more with Latinos than an argument about the need to regulate unsafe products—though both beat an attack on the CFPB by more than a 2:1 margin.

CFPB Head-to-Head Text

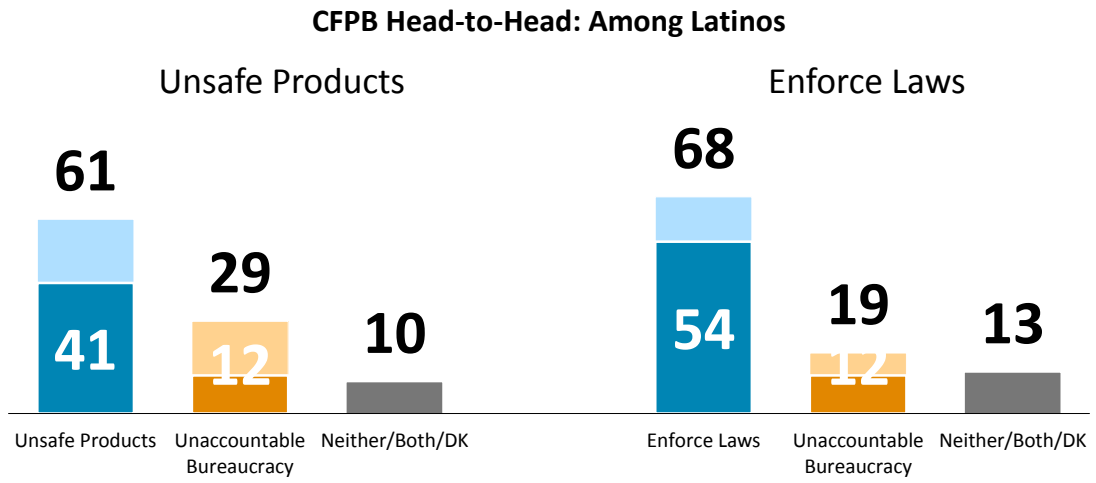
I'd like to read you a pair of statements about the Consumer Financial Protection Bureau, which was created by the Wall Street reform law. Of the two, please tell me which statement is closer to your own views. [ROTATED]

(Some/other people say) We have rules to guard against unsafe meat, appliances, and automobiles. The CFPB is there to provide similar rules for financial products. Just as it's against the rules to sell dangerous toys, it should be against the rules to sell dangerous loans.

(Some/other people say) The CFPB is another unaccountable, expensive, federal bureaucracy we don't need. The financial crisis was caused by government interference. Imposing even more regulation just hurts small businesses, costs jobs, and impedes economic recovery. The CFPB is yet another example of out of control, big federal government.

(Some/other people say) Wall Street banks and financial companies have too much power, and, too often, they get away with deceptive and unfair practices to maximize their profits at the expense of regular Americans. We need the CFPB to enforce laws that protect consumers and hold financial companies accountable.

(Some/other people say) The CFPB is another unaccountable, expensive, federal bureaucracy we don't need. The financial crisis was caused by government interference. Imposing even more regulation just hurts small businesses, costs jobs, and impedes economic recovery. The CFPB is yet another example of out of control, big federal government.



A majority of Latino voters supports CRPB enforcement in the areas of racial discrimination and mistreatment of servicemembers, but they find the example concerning the mistreatment of servicemembers particularly compelling.

CFPB Enforcement Head-to-Head Text

The Consumer Financial Protection Bureau has used its enforcement authority to bring lawsuits against companies it found to have violated the law. Please tell me which of the following two statements is closer to your own views about this type of regulatory action. [ROTATED]

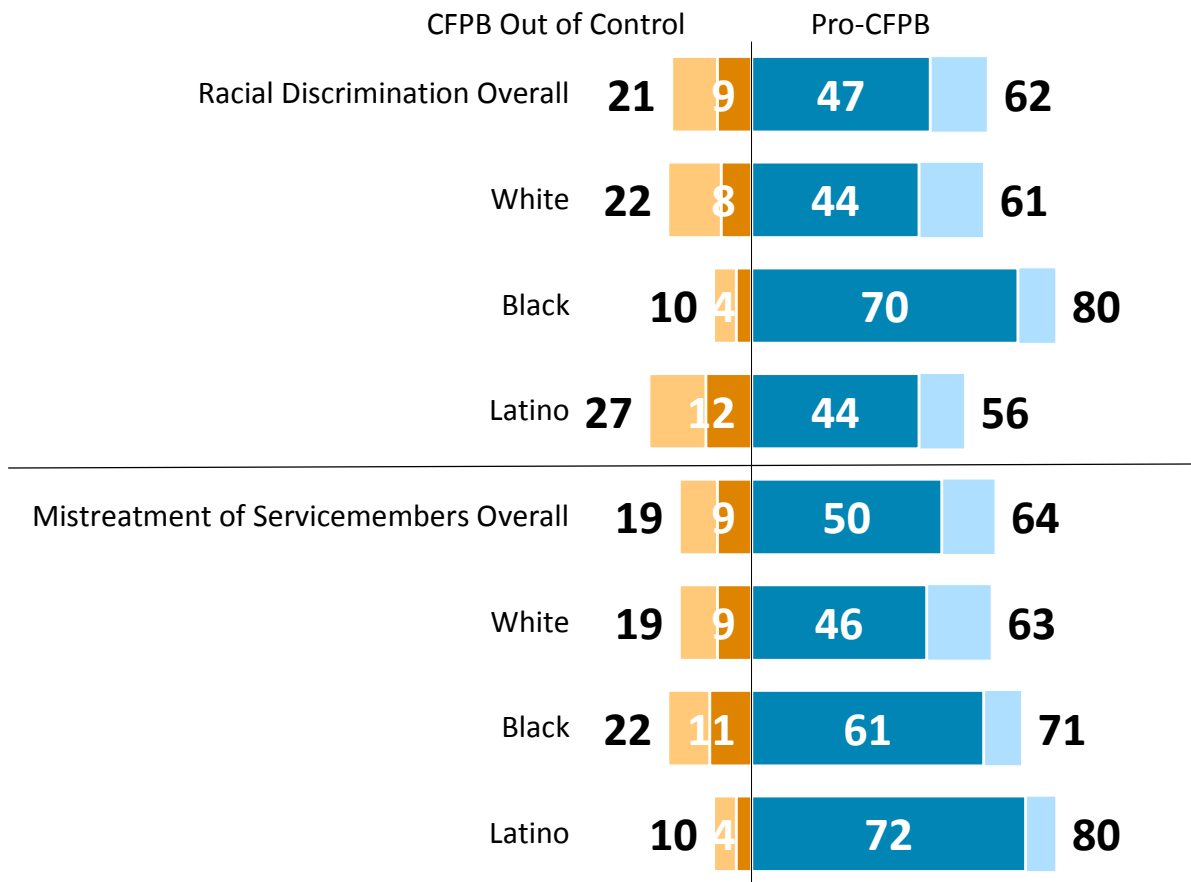
(Some/other people say) Companies that violate the law should be held accountable and made to pay. For example, when the CFPB discovered that auto lenders were charging higher interest rates to people in certain racial and ethnic groups, they fined the lenders guilty of this discrimination. We need the CFPB to protect consumers and hold unfair lenders accountable.

(Some/other people say) The CFPB is out of control, using taxpayer money to fund expensive lawsuits that hurt regular Americans and businesses. CFPB lawsuits unfairly target businesses that government regulators don't like, preventing these businesses from innovating and prospering. CFPB intrusion costs American jobs and money for consumers and taxpayers.

(Some/other people say) Companies that violate the law should be held accountable and made to pay. For example, when the CFPB discovered that a chain of stores located near military bases were making unauthorized withdrawals from the accounts of service members and their families and contacting commanding officers to pressure service members for payments, the CFPB fined these businesses. We need the CFPB to protect consumers and hold law-breaking businesses accountable.

(Some/other people say) The CFPB is out of control, using taxpayer money to fund expensive lawsuits that hurt regular Americans and businesses. CFPB lawsuits unfairly target businesses that government regulators don't like, preventing these businesses from innovating and prospering. CFPB intrusion costs American jobs and money for consumers and taxpayers.

CFPB Enforcement Head-to-Head



CONCLUSION

Latinos oppose a range of common payday lending practices, and a strong majority want the CFPB to enforce tougher regulations to protect consumers from financial abuse. On some measures, Latino voters are more ambivalent than voters of other ethnicities; still, Latino support for regulation and enforcement is strong.

Please do not hesitate to reach out to Celinda Lake (clake@lakeresearch.com), David Mermin (dmermin@lakeresearch.com), or Bob Carpenter (bobcarpenter1957@gmail.com) with any questions about this research.