What follows is a comment from Nick Bourke, director of the small-dollar loans project at The Pew Charitable Trusts, on the CFPB's newly released proposal for regulating payday and other high-cost, small-dollar loans.

"In its proposal, the CFPB mostly recognizes that affordable payments are the key to fixing the small-loan market—and that is a good thing. Unfortunately, the 'short-term, protection' section of the proposal is a loophole that would devastate borrowers by allowing balloon-payment loans. Instead, the CFPB should require that *all* loans have affordable payments, which is what the vast majority of the 12 million Americans who use payday loans want the bureau to do.

"The ingredients are there for success if the CFPB closes the balloon-payment loophole. Unaffordable balloon payments are harming consumers today, and a strong ability-to-repay rule can fix that. Payday loans take one-third of a borrower's next paycheck, and title loans take half of monthly income. That is far too much: Research shows that most payday borrowers can afford to spend no more than 5 percent of their paycheck on a loan.

"The CFPB should stay focused on ensuring that all small loans fit within borrowers' budgets. And we know that can work. Colorado's successful 2010 payday loan reform, requiring all loans to have affordable installment payments, proves that a market without balloon-payment loans works better for borrowers while keeping credit widely available."

Pew's small-dollar loans project has conducted the most comprehensive available analysis of the payday and auto title loan markets. Nick Bourke, project director, is available for interviews if you would like to talk with him directly.

Key Facts from Pew's research

- Approximately 12 million Americans use payday loans annually, spending an average of $520 in fees to repeatedly borrow $375 in credit.
- Payday loans are sold as 2-week products for unexpected expenses, but 7 in 10 borrowers use them for regular bills, and, on average, borrowers end up in debt for half the year.
- There are two qualifications to receive a payday loan: an income and a bank account. The loan is due in full on the borrower's next payday, and it is secured by the borrower's checking account.
- On average, payday loans take up 36% of an average borrower's next paycheck, but most borrowers cannot afford more than 5%. This explains why most people have to re-borrow the loans in order to cover basic expenses.
- Payday borrowers want reform: 81 percent of all borrowers want more time to repay the loans, and 72 percent favor more regulation.
- There is a solution: In 2010, Colorado successfully reformed its payday loan market by requiring the loans to be repayable in affordable installments over time. There was no decrease in access to credit, and average loan payments now take up 4% of borrowers' paychecks.