

2011 UPDATE

PAYDAY LENDERS\$

PAY MORE



## **Executive Summary**

Citizens for Responsibility and Ethics in Washington (CREW) released its first report on the payday loan industry's lobbying and campaign contribution efforts, "Payday Lenders Pay Up," in April 2009. The report examined the industry's response to growing efforts to federally regulate payday loans, short-term consumer debt that often carries high interest rates and fees. It scrutinized the industry's lobbying during the 109<sup>th</sup> and 110<sup>th</sup> Congresses and industry campaign contributions throughout the 2004, 2006 and 2008 election cycles. The report found lobbying expenditures more than doubled from \$2,045,000 in the 109<sup>th</sup> Congress to \$4,182,550 in the 110<sup>th</sup> Congress. Federal campaign donations also more than doubled, rising from \$592,653 in the 2004 campaign cycle to \$1,529,973 in the 2008 cycle.

Throughout the 111<sup>th</sup> Congress, lawmakers continued to introduce legislation to limit the interest rates and fees payday lenders can charge while increasing federal oversight. The payday loan industry's lobbying expenses soared as the industry mounted an increasingly urgent and sophisticated campaign in response to the increased attention from Washington, and the industry's campaign contributions to federal candidates during the 2010 midterm election cycle were 80% higher than its contributions during the 2006 midterm election cycle.

## **Legislative Landscape**

The payday lending industry spent the 111<sup>th</sup> Congress fighting several bills that would have put a ceiling on interest rates. Sen. Richard Durbin (D-IL) introduced S. 500, the Protecting Consumers from Unreasonable Credit Rates Act of 2009, which would have capped such loans at a 36% interest rate, and Rep. Jackie Speier (D-CA) introduced companion legislation in the House.<sup>1</sup> Both bills stalled in committee.<sup>2</sup>

Rep. Luis Gutierrez (D-IL) introduced separate legislation, H.R. 1214, the Payday Loan Reform Act of 2009.<sup>3</sup> Among other things, Rep. Gutierrez's bill sought to prohibit lenders from charging interest and fees totaling more than 15% of the loan principal.<sup>4</sup> In addition, Rep. Joe Baca (D-CA) introduced H.R. 1846, the Consumer Lending Education and Reform Act or C.L.E.A.R. Act, which would have established additional disclosure requirements for payday loans and capped some payday loan fees.<sup>5</sup> Neither bill made it out of committee.<sup>6</sup>

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<sup>1</sup> *Protecting Consumers from Unreasonable Credit Rates Act of 2009*, S. 500, 111<sup>th</sup> Congress, February 26, 2009; *Protecting Consumers from Unreasonable Credit Rates Act of 2009*, H.R. 1608, 111<sup>th</sup> Congress, March 19, 2009.

<sup>2</sup> All Congressional Actions, *Protecting Consumers from Unreasonable Credit Rates Act of 2009*, S. 500 and H.R. 1608, available at <http://thomas.loc.gov>.

<sup>3</sup> Bill Summary & Status, *Payday Loan Reform Act of 2009*, H.R. 1214, 111<sup>th</sup> Congress, February 26, 2009, available at <http://thomas.loc.gov>.

<sup>4</sup> CRS Summary, *Payday Loan Reform Act of 2009*, H.R. 1214, available at <http://thomas.loc.gov>.

<sup>5</sup> *Consumer Lending Education and Reform Act*, H.R. 1846, 111<sup>th</sup> Congress, April 1, 2009.

<sup>6</sup> All Congressional Actions, *Consumer Lending Education and Reform Act*, H.R. 1846, available at <http://thomas.loc.gov>; All Congressional Actions, *Payday Loan Reform Act of 2009*, H.R. 1214, available at <http://thomas.loc.gov>.

Rep. Heath Shuler (D-NC) introduced H.R. 2563, the Payday Lending Reform Act of 2009, which would have established federal standards for payday loans, including a two-day window for borrowers to change their minds and repay the loan principal without interest.<sup>7</sup> The legislation, which was supported by the Community Financial Services Association of America (CFSA), an industry trade association, also included language preventing states from banning payday loans that met the consumer protection standards in the bill.<sup>8</sup> The bill never received a floor vote.<sup>9</sup>

In 2010, payday loan regulations were considered in Congress's efforts to reform the financial regulatory system. Payday lenders successfully kept restrictions such as interest rate caps and a limit on the number of times borrowers could receive payday loans out of the final bill.<sup>10</sup> Still, despite the industry's lobbying, Congress gave the new Consumer Financial Protection Bureau (CFPB) authority to write and enforce rules governing payday lenders.<sup>11</sup> Further, Elizabeth Warren, who the president tapped to set up the CFPB, said one of the new agency's priorities would be supervising non-bank financial institutions such as payday lenders.<sup>12</sup>

Joseph Coleman, chairman of Financial Service Centers of America (FiSCA), an industry trade group, said the group has been devoting more resources to Washington over the past two years because of financial regulatory reform. Coleman also said that "we expect the newly created Bureau of Consumer Financial Protection to be a primary area of focus for the Association in 2011 and beyond."<sup>13</sup>

## **Methodology**

CREW reviewed public records maintained by the Senate Office of Public Records in its online Lobbying Disclosure Act Database for lobbying information. CREW reviewed campaign finance data compiled by the Center for Responsive Politics at [www.opensecrets.org](http://www.opensecrets.org), as well as media reports and [www.thomas.gov](http://www.thomas.gov) to research bills and legislation.

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<sup>7</sup> Bill Summary & Status and CRS Summary, *Payday Lending Reform Act of 2009*, H.R. 2563, 111<sup>th</sup> Congress, May 21, 2009, available at <http://thomas.loc.gov>.

<sup>8</sup> *Id.*; Sheffield Brothers, Third Quarter 2009 Lobbying Disclosure Report on behalf of Community Financial Services Association of America, Secretary of the Senate, Office of Public Records; Rob Schofield, Predators With No Shame, *NC Policy Watch*, July 7, 2009.

<sup>9</sup> All Congressional Actions, *Payday Lending Reform Act of 2009*, H.R. 2563, available at <http://thomas.loc.gov>.

<sup>10</sup> Patton Boggs, Spotlight On: The Bureau of Consumer Financial Protection, August 6, 2010, available at <http://www.pattonboggs.com/newsletters/spotlight/financialspotlight-080610.html>; Annie Lowrey, How Payday Lenders Spent Millions to Win Every Battle – Only to Lose the War, *Minnesota Independent*, May 28, 2010.

<sup>11</sup> Sewell Chan, A Consumer Bill Gives Exemption on Payday Loans, *New York Times*, March 9, 2010; National Consumer Law Center, NCLC Reports: Special Double Issue on the Dodd-Frank Financial Reform Bill, Volume 29, July/August 2010.

<sup>12</sup> Transcript, CQ Transcriptions, Holly Petraeus, New Consumer Appointee, and Elizabeth Warren, Consumer Financial Protection Bureau, Is Interviewed On Fox Business Network, January 6, 2011.

<sup>13</sup> Press Release, Financial Service Centers of America, FiSCA Relocates Headquarters to Washington, DC to Better Service the Industry in Wake of Financial Regulatory Reform, December 13, 2010.

CREW analyzed lobbying reports and campaign finance information for the companies and trade associations included in our 2009 report on the payday lending industry: Advance America, Check 'n Go, Check into Cash, QC Financial, QC Holdings, Allied Cash Advance, ACE Cash Express, Cash America, EZ Corp., CompuCredit, and Dollar Financial, as well as industry trade associations CFSA and FiSCA.

## **Lobbying**

The payday loan industry has more than sextupled its spending on lobbying since 2005, doubling from \$4,182,500 in the 110<sup>th</sup> Congress to \$9,202,500 in the 111<sup>th</sup> Congress.

Lobbying	109 <sup>th</sup> Congress		110 <sup>th</sup> Congress		111 <sup>th</sup> Congress	
Year	2005	2006	2007	2008	2009	2010
Amount	\$730,000	\$1,315,000	\$2,041,300	\$2,141,250	\$4,525,000	\$4,677,500
Firms	8	9	12	16	15	14

Further, the industry is building up its presence in Washington. In December, FiSCA announced it would relocate its national headquarters from New Jersey to the Washington, D.C. offices of Sellery Associates, its lobbying firm.<sup>14</sup> FiSCA also named lobbyist Bill Sellery as its executive director and director of government relations.<sup>15</sup>

The outside lobbying firm that received the most money lobbying on behalf of the payday loan industry, Timothy R. Rupli & Associates, Inc., earned \$1.9 million lobbying for CFSA during the 111<sup>th</sup> Congress.<sup>16</sup> The firm's principal, Timothy R. Rupli, was previously an aide to former House Majority Leader Tom DeLay (R-TX).<sup>17</sup> Brownstein Hyatt Farber Schreck earned

<sup>14</sup> Id.

<sup>15</sup> Id.

<sup>16</sup> Timothy R. Rupli & Associates Inc., First Quarter 2009 Lobbying Disclosure Report Amendment on behalf of Community Financial Services Association of America, Secretary of the Senate, Office of Public Records; Timothy R. Rupli & Associates Inc., Second Quarter 2009 Lobbying Disclosure Report Amendment on behalf of Community Financial Services Association of America, Secretary of the Senate, Office of Public Records; Timothy R. Rupli & Associates Inc., Third Quarter 2009 Lobbying Disclosure Report on behalf of Community Financial Services Association of America, Secretary of the Senate, Office of Public Records; Timothy R. Rupli & Associates Inc., Fourth Quarter 2009 Lobbying Disclosure Report on behalf of Community Financial Services Association of America, Secretary of the Senate, Office of Public Records; Timothy R. Rupli & Associates Inc., First Quarter 2010 Lobbying Disclosure Report on behalf of Community Financial Services Association of America, Secretary of the Senate, Office of Public Records; Timothy R. Rupli & Associates Inc., Second Quarter 2010 Lobbying Disclosure Report on behalf of Community Financial Services Association of America, Secretary of the Senate, Office of Public Records; Timothy R. Rupli & Associates Inc., Third Quarter 2010 Lobbying Disclosure Report on behalf of Community Financial Services Association of America, Secretary of the Senate, Office of Public Records; Timothy R. Rupli & Associates Inc., Fourth Quarter 2010 Lobbying Disclosure Report on behalf of Community Financial Services Association of America, Secretary of the Senate, Office of Public Records.

<sup>17</sup> Paul Barton, Lobbyists Pile It On For State Delegation, *Arkansas Democrat-Gazette*, July 4, 2006.

\$680,000, the second-highest amount, lobbying for ACE Cash Express.<sup>18</sup> The Brownstein Hyatt lobbying team includes the firm’s board chairman, Norman Brownstein, and Alfred Mottur, the managing partner of its Washington office.<sup>19</sup> Sellery Associates Inc. earned \$635,000, the third-highest amount, lobbying for FiSCA.<sup>20</sup>

### **Campaign Donations**

Federal campaign donations by the employees and political action committees (“PACs”) of the 13 companies and trade associations jumped 80% between the 2006 and 2010 midterm election cycles. The contributions during the 2010 midterm election cycle were essentially equal to those of the 2008 presidential cycle.

<b>Total Donations</b>	<b>2004 Cycle</b>	<b>2006 Cycle</b>	<b>2008 Cycle</b>	<b>2010 Cycle</b>
Company Employees and PACs	\$519,399	\$769,231	\$1,248,413	\$1,251,800
CSFA	\$0	\$0	\$207,060	\$200,100
FiSCA	\$73,254	\$81,150	\$74,500	\$77,300
Totals	\$592,653	\$850,381	\$1,529,973	\$1,529,200

<sup>18</sup> Brownstein Hyatt Farber Schreck, First Quarter 2009 Lobbying Disclosure Report on behalf of ACE Cash Express, Secretary of the Senate, Office of Public Records; Brownstein Hyatt Farber Schreck, Second Quarter 2009 Lobbying Disclosure Report on behalf of ACE Cash Express, Secretary of the Senate, Office of Public Records; Brownstein Hyatt Farber Schreck, Third Quarter 2009 Lobbying Disclosure Report on behalf of ACE Cash Express, Secretary of the Senate, Office of Public Records; Brownstein Hyatt Farber Schreck, Fourth Quarter 2009 Lobbying Disclosure Report on behalf of ACE Cash Express, Secretary of the Senate, Office of Public Records; Brownstein Hyatt Farber Schreck, First Quarter 2010 Lobbying Disclosure Report on behalf of ACE Cash Express, Secretary of the Senate, Office of Public Records; Brownstein Hyatt Farber Schreck, Second Quarter 2010 Lobbying Disclosure Report on behalf of ACE Cash Express, Secretary of the Senate, Office of Public Records; Brownstein Hyatt Farber Schreck, Third Quarter 2010 Lobbying Disclosure Report on behalf of ACE Cash Express, Secretary of the Senate, Office of Public Records; Brownstein Hyatt Farber Schreck, Fourth Quarter 2010 Lobbying Disclosure Report Amendment on behalf of ACE Cash Express, Secretary of the Senate, Office of Public Records.

<sup>19</sup> Id.; <http://www.bhfs.com/People/nbrownstein>; <http://www.bhfs.com/People/amottur>.

<sup>20</sup> Sellery Associates Inc., First Quarter 2009 Lobbying Disclosure Report on behalf of Financial Service Centers of America Inc., Secretary of the Senate, Office of Public Records; Sellery Associates Inc., Second Quarter 2009 Lobbying Disclosure Report on behalf of Financial Service Centers of America Inc., Secretary of the Senate, Office of Public Records; Sellery Associates Inc., Third Quarter 2009 Lobbying Disclosure Report on behalf of Financial Service Centers of America Inc., Secretary of the Senate, Office of Public Records; Sellery Associates Inc., Fourth Quarter 2009 Lobbying Disclosure Report on behalf of Financial Service Centers of America Inc., Secretary of the Senate, Office of Public Records; Sellery Associates Inc., First Quarter 2010 Lobbying Disclosure Report on behalf of Financial Service Centers of America Inc., Secretary of the Senate, Office of Public Records; Sellery Associates Inc., Second Quarter 2010 Lobbying Disclosure Report on behalf of Financial Service Centers of America Inc., Secretary of the Senate, Office of Public Records; Sellery Associates Inc., Third Quarter 2010 Lobbying Disclosure Report on behalf of Financial Service Centers of America Inc., Secretary of the Senate, Office of Public Records; Sellery Associates Inc., Fourth Quarter 2010 Lobbying Disclosure Report on behalf of Financial Service Centers of America Inc., Secretary of the Senate, Office of Public Records.

Industry PACs, meanwhile, raised 29% more during the 2010 election cycle than during the 2008 election cycle. Campaign finance reports show the five company PACs and two industry trade association PACs retained a total of \$369,417 following the 2010 election cycle.

### **Top Recipients of Campaign Contributions - 2010 Cycle**

By far the largest recipient of payday loan campaign cash was former Rep. Kendrick Meek (D-FL), who received \$53,900 from the payday industry in the 2010 election cycle. Rep. Meek, who ran unsuccessfully for a Florida Senate seat in 2010, is no longer in Congress. The next largest recipient of payday lending industry donations was Rep. Carolyn Maloney (D-NY), the ranking member and former chair of the House Subcommittee on Financial Institutions.<sup>21</sup> She received \$48,400 in donations from the industry during the same period.

Senate Majority Leader Harry Reid (D-NV) was third, receiving \$43,900 in payday loan industry donations. Rep. Jeb Hensarling (R-TX), vice chairman of the House Financial Services Committee, was the fourth highest recipient, receiving \$37,100.<sup>22</sup> Freshman Rep. Kevin Yoder (R-KS) was fifth, receiving \$34,450, exclusively from the PAC and employees of QC Holding, which is located in his district.<sup>23</sup>

Rep. Debbie Wasserman Schultz (D-FL) was the sixth largest recipient, taking in \$27,500. Rep. Shuler was seventh, with \$26,000 in donations. Rep. Pete Sessions (R-TX) was eighth, receiving \$24,900 in donations, and former Rep. Travis Childers (D-MS), who lost his 2010 re-election bid, was ninth, with \$24,500 in donations.<sup>24</sup> Rep. Gregory Meeks (D-NY), also a member of the House Financial Services Committee was tenth, receiving \$22,500.<sup>25</sup>

### **Public Statements by Industry Donation Recipients**

Several of the biggest recipients of campaign donations have made no public comments about payday loans, but some have spoken out. In January 2007, Rep. Meek sent a letter to the House Financial Services Committee suggesting regulation of the payday loan industry be left to the states.<sup>26</sup> Despite her support from the industry, Rep. Maloney issued a statement in June 2010 praising the creation of the CFPB, saying “anyone who opens a checking or saving account, anyone who takes out a student loan, or a mortgage, anyone who opens a credit card, or takes out a payday loan, will have a federal agency on their side to protect them.”<sup>27</sup>

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<sup>21</sup> <http://financialservices.house.gov/singlepages.aspx?NewsID=404>.

<sup>22</sup> <http://financialservices.house.gov/singlepages.aspx?NewsID=397>.

<sup>23</sup> <http://www.qcholdings.com/whoweare.aspx>; <http://yoder.house.gov/our-district>.

<sup>24</sup> <http://elections.nytimes.com/2010/results/house>.

<sup>25</sup> <http://financialservices.house.gov/singlepages.aspx?NewsID=397>.

<sup>26</sup> Rick Maze, *Lawmakers Propose Changes to Payday Loans Fee Cap*, *Air Force Times*, February 19, 2007.

<sup>27</sup> Press Release, Office of Rep. Carolyn Maloney, Statement of Representative Carolyn Maloney on H.R. 4173, Dodd-Frank Wall Street Reform and Consumer Protection Act, June 30, 2010.

At an April 2009 hearing on the Payday Lending Bill of 2009, Rep. Hensarling criticized the bill, saying that if it passed, consumers “will lose choices, they will lose credit, they will lose economic freedom.”<sup>28</sup> Rep. Childers used the occasion to praise payday lenders’ efforts to work with Mississippi regulators, and said he wanted to speak “on behalf of state regulation.”<sup>29</sup> In contrast, Rep. Gregory Meeks expressed his support for the bill.<sup>30</sup>

## **Lobbyist Contributions**

The contributions tallied here do not include donations from outside lobbyists employed by the payday lending industry, which also serve to extend the industry’s influence. For instance, Mr. Rupli and his wife, Linda Rupli, are active fundraisers who have donated \$133,333 to Democrats and \$105,731 to Republicans over the past three election cycles.<sup>31</sup> The couple donated to 48 Republicans and 48 Democrats over the past three election cycles, including many members of Congress who are among the top recipients of donations from payday lenders. During the 2010 election cycle, the Ruplis donated a combined \$7,000 to Rep. Kendrick Meek, the largest recipient of donations from the payday loan industry. The couple also donated \$6,700 to Sen. Richard Shelby (R-AL) and \$4,509 to Sen. Reid. Mr. Rupli’s Capitol Hill townhouse has served as the backdrop for fundraisers for a long list of lawmakers, including Rep. Shuler, Rep. Sessions, Rep. Maloney, Rep. Meeks, Rep. Wasserman Schultz, Rep. Childers and Rep. Meek.<sup>32</sup>

In addition, Brownstein Hyatt Farber Schreck’s Norman Brownstein and his wife, Sunny Brownstein, have personally donated to at least 59 Democrats and 21 Republicans over the past three election cycles, including \$4,400 in 2009 to Sen. Reid, the third largest recipient of donations from the payday loan industry.<sup>33</sup> Alfred Mottur and his wife, Elizabeth Mottur, donated to 69 Democrats (though no Republicans) over the past three election cycles, including

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<sup>28</sup> *H.R. 1214, The Payday Loan Reform Act of 2009: Hearing Before the Subcommittee on Financial Institutions and Consumer Credit of the House Financial Services Committee*, 111<sup>th</sup> Congress, April 2, 2009.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> [http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=2000\\_record&page=E231&position=all](http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=2000_record&page=E231&position=all);  
<http://www.opensecrets.org/indivs/search.php?name=rupli%2C+timothy&state=&zip=&employ=&cand=&c2010=Y&c2008=Y&c2006=Y&sort=N&capcode=fdsc6&submit=Submit>;  
<http://www.opensecrets.org/indivs/search.php?name=rupli%2C+linda&state=&zip=&employ=&cand=&c2010=Y&c2008=Y&c2006=Y&sort=N&capcode=dpfcf&submit=Submit>.

<sup>32</sup> [http://politicalpartytime.org/search/Venue\\_Name/Rupli%20Townhouse/](http://politicalpartytime.org/search/Venue_Name/Rupli%20Townhouse/).

<sup>33</sup> <http://www.nationaljewish.org/about/whynjh/leadership/board/norm-brownstein.aspx>;  
<http://www.opensecrets.org/indivs/search.php?name=brownstein%2C+norm&state=&zip=&employ=&cand=&c2010=Y&c2008=Y&c2006=Y&sort=N&capcode=w7s94&submit=Submit>;  
<http://www.opensecrets.org/indivs/search.php?name=brownstein%2C+sunny&state=&zip=&employ=&cand=&c2010=Y&c2008=Y&c2006=Y&sort=N&capcode=qfvky&submit=Submit>.

\$500 in 2008 to Rep. Wasserman Schultz, the sixth biggest recipient of donations from the payday loan industry.<sup>34</sup>

## **Public Relations**

The payday loan industry continues to draw at least some support from Washington public relations consultant Rick Berman. One of Mr. Berman's websites, Econ4U.org, which ostensibly promotes financial education, has continued to write supportively about payday loans.<sup>35</sup> In blog posts, the site presents them as a low-cost way to raise cash.<sup>36</sup>

## **Conclusion**

Payday lenders have continued to bolster the industry's Washington influence operation since CREW released "Payday Lenders Pay Up" in April 2009. In the face of increased scrutiny from Congress, the industry's spending on lobbying has skyrocketed, jumping 120% from the 110<sup>th</sup> Congress to the 111<sup>th</sup> Congress. The increased lobbying was key to beating back several bills designed to strengthen regulation of the industry, though Congress did put payday lenders under the jurisdiction of the new CFPB. In addition, campaign contributions rose 80 percent between the 2006 and 2010 midterm election cycles.

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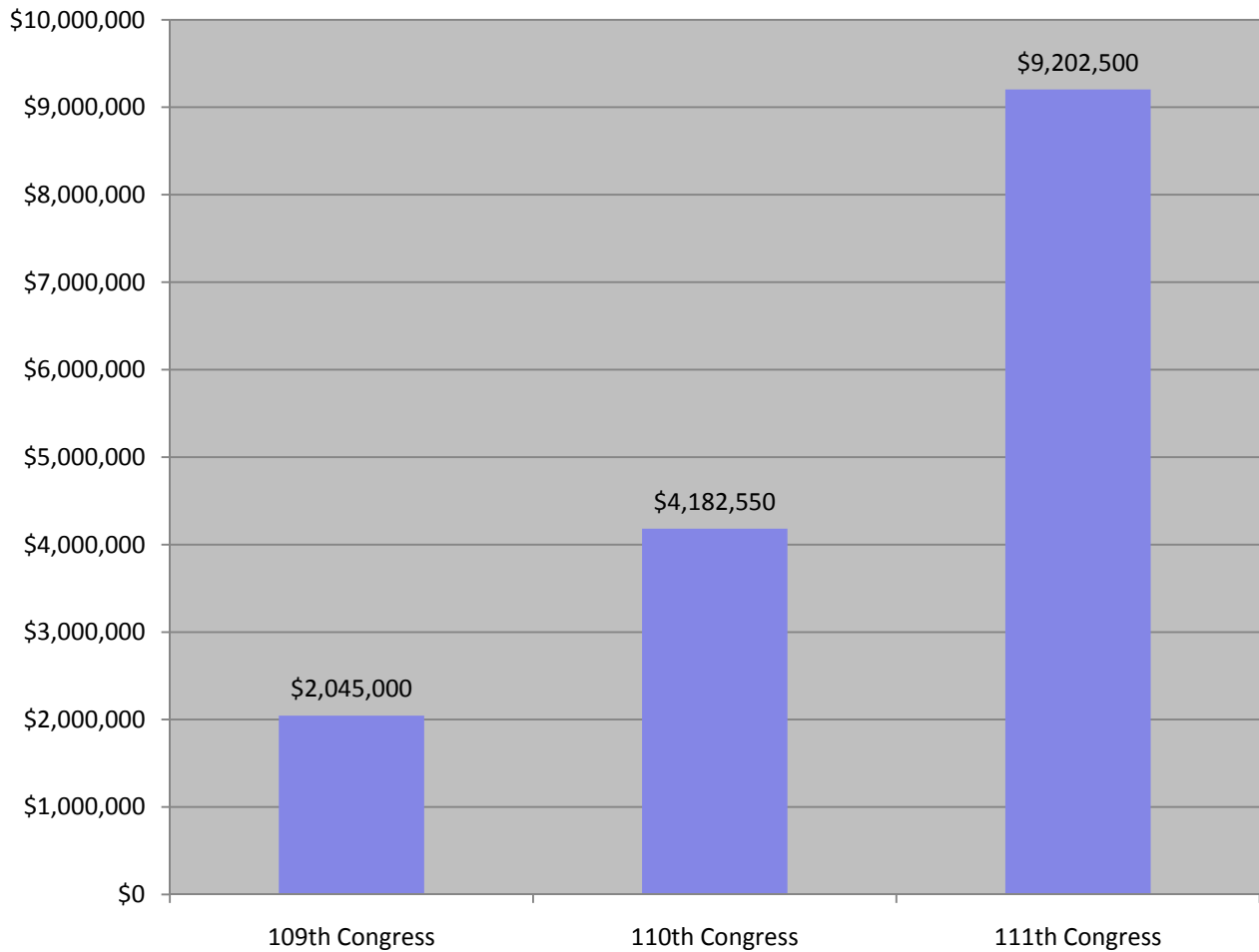
<sup>34</sup> <http://www.opensecrets.org/indivs/search.php?capcode=cmg3x&name=mottur.%20alfred&employ=&cand=&state=&zip=&all=N&old=N&c2008=Y&c2006=Y&c2010=Y&sort=N&page=&page=1>;  
<http://www.opensecrets.org/indivs/search.php?name=mottur%2C+elizabeth&state=&zip=&employ=&cand=&c2010=Y&c2008=Y&c2006=Y&sort=N&capcode=fdsc6&submit=Submit>.

<sup>35</sup> <http://www.bermanexposed.org/>; <http://econ4u.org/blog/money-matters/borrowing-and-managing-credit/short-term-payday-loans/>.

<sup>36</sup> <http://econ4u.org/blog/2010/10/19/tuesday-top-5-how-to-come-up-with-100-fast/>.



**Chart 1**  
**Payday Loan Industry Lobbying Expenditures**



**Chart 2**  
**Payday Loan Industry Donations**

