Discussions of: *"Information Disclosure and Payday Lending"* and *"Loan Contracting in the Presence of Usury Limits"*

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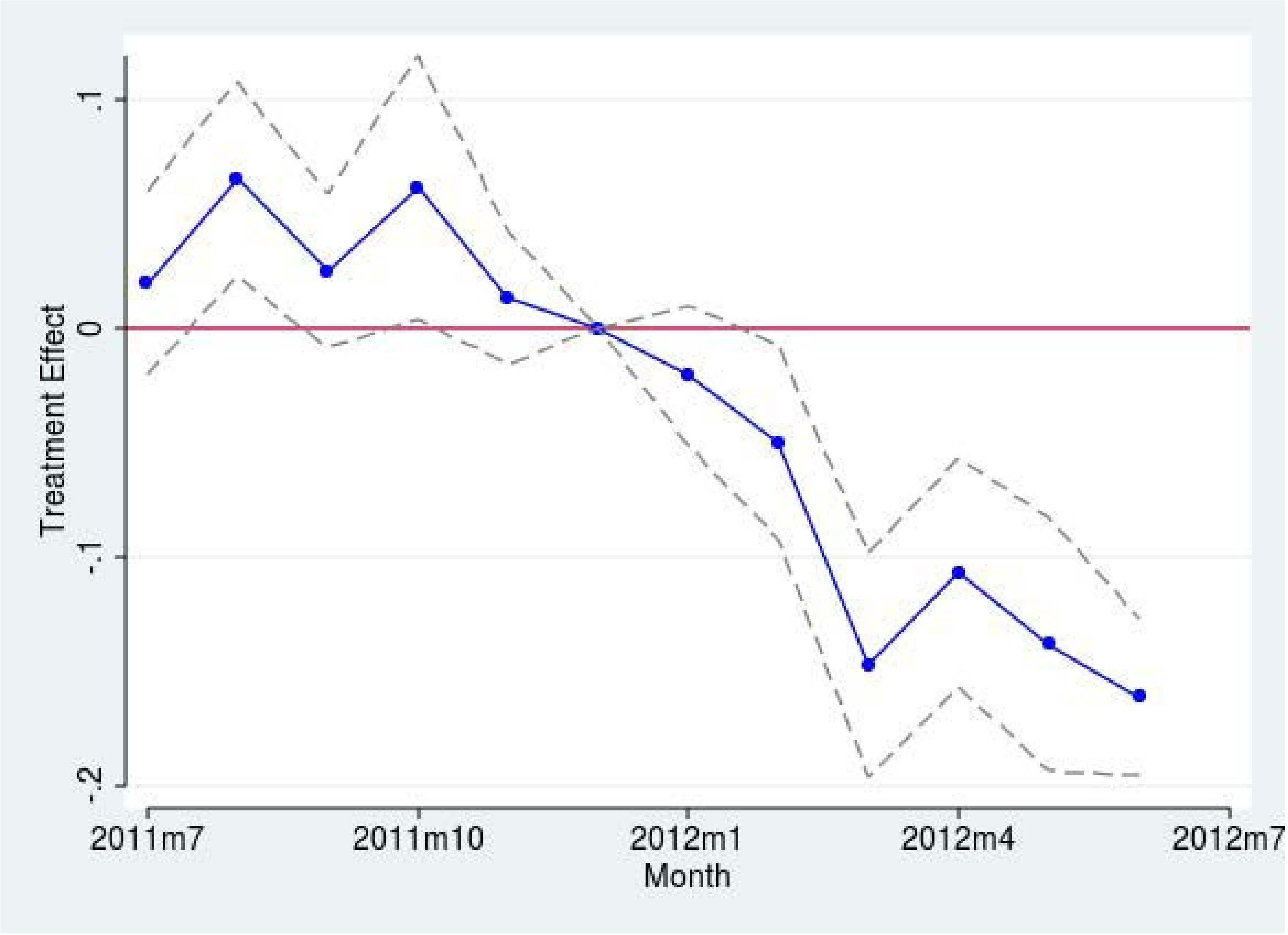
The Research Questions

- Both papers are empirical studies of public policy in less-than-prime lending markets:
  - How does mandated information disclosure affect demand for payday loans?
  - How do usury ceilings affect the availability and terms of subprime auto loans?
- Both papers pursue important, policy-relevant questions
- I believe the results in both papers
- I have comments both narrow and high-level

Narrow comments: the payday paper

- Suggestion: pursue in more detail the policy/welfare issue of greatest importance (repeat borrowing):
  - Time series variation in (repeated) effects, perhaps by whether borrowers are repeat borrowers
  - Interesting interaction: repeat borrowing induces repeat exposure

- As always with payday loans, it's important to think about what people who don't borrow are doing
  - Not borrowing at all?
  - Borrowing elsewhere?
  - Rolling over less often?
  - Discuss the welfare implications



.1
0
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Treatment Effect
2011m7
2011m10
2012m1
2012m4
2012m7
Month

Narrow comments: the payday paper

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High-level comments: the payday paper

- It'd be nice to see more framing of results in context of literature on reminders/messaging/disclosure
  - We now know that these things matter, and all else equal prefer them to supply-side regulation
  - But they seem to matter (a) over short time horizons, (b) in isolation, (c) in ways that are strongly frame-dependent, and (d) in ways that may or may not move consumers toward better decisions

- What do we do with that knowledge?
  - E.g.: what do we think would happen to the level and composition of loan demand if we upped the quality and quantity of messages/information in all loan markets at once?
  - What are the right *relative* warnings/disclosures?

Narrow comments: the auto paper

- Empirical approach may leave information on the table, or mis-measure effects:
  - Why estimate "probability that rate is binding" rather than "amount by which APR is reduced due to regulation"?
  - Should no-cap states be coded as having a cap of zero?
  - Given aggregation/noise, are we under-estimating or over-estimating effects?
- Interpretation of the results:
  - No rationing, or rationing the "good guys" out of the market?
  - Re-pricing risk, or re-pricing market power/exploitation?
  - Default seems critical but isn't really discussed

High-level comments: the auto paper

- In markets for "complex" (i.e. multi-component) terms, what do we conclude about the likely effects of regulation?
  - Who would be the types of consumers who would benefit? Who would lose?
  - What can we say about the relative benefits of demand-side vs. supply-side policy solutions?
  - Constraints or simplicity?

Overall reactions/thoughts

- Both papers add to what we know and can inform policy
- Both papers highlight the potential and actual added value of independent research at the CFPB