H.R. 7866: Unleashing a Flood of High-Cost Lending

H.R. 7866 would slash a key protection against high-cost lenders. **The bill eviscerates state-law interest rate limits on loans, which are the *only* such limits that exist for almost all Americans.**[1] H.R. 7866 would end states' ability to enforce their own interest-rate limits on loans made to their residents by out-of-state, state-chartered banks. **The result would be more financial distress, fewer state protections against triple-digit interest rates, and expanded opportunities for high-cost lenders to use bank partnerships to evade state law.** As families struggle with rising costs, Congress must preserve state protections against high-cost lending. **Vote NO against H.R. 7866.**

What is at Stake?

- **High-cost lenders are already using rent-a-bank schemes to impose extreme interest rates.** Nonbank lenders are using state-chartered banks as a front to make loans at rates exceeding 200% APR. These unaffordable loans are repeatedly refinanced, locking families into high-cost debt and driving them deeper into financial distress. **Charge-off rates on some high-cost loan portfolios exceed 50%**, leaving borrowers facing collections and damaged credit.[2]
- **H.R. 7866 would impede states' ability to enforce their own interest-rate caps.** 45 states and Washington, D.C. have interest-rate limits that reflect their judgments about what rates are permissible for loans made to their residents. These vital protections exist only in state law. H.R. 7866 would prevent states from applying their interest-rate limits to loans made to their residents by out-of-state state-chartered banks, allowing rates that state legislatures have determined are too high. **No generally applicable federal interest-rate cap exists for consumers and small businesses.** Without state interest-rate limits, borrowers face triple-digit rates with no comparable federal protection.
- **H.R. 7866 would entrench a disparity between national and state-chartered banks, not create parity.** National banks have historically been prohibited by their regulators from engaging in payday and high-cost lending schemes. In contrast, some state-chartered and community banks have engaged in high-cost lending through partnerships with nonbank lenders. **This type of abusive high-cost lending has no place in the insured banking system.** H.R. 7866 would make it harder for states to stop out-of-state banks from facilitating lending that violates state interest-rate limits, allowing these partnerships to expand and exposing consumers and small businesses to predatory, unaffordable lending.

What is DIDMCA?

- The **Depository Institutions Deregulation and Monetary Control Act of 1980** ("DIDMCA") allows state-chartered banks to export the interest rate permitted in their home state into other states. Section 525 of DIDMCA gives states a choice to opt out of that federal interest-rate preemption and apply their own interest rate protections to loans made to their residents by out-of-state state-chartered banks. Iowa, Puerto Rico, Colorado, and Oregon have exercised that choice.[4]
- **H.R. 7866 would repeal DIDMCA's current opt-out and replace it with a ban on states protecting their own residents from high-cost loans made by, or fronted by, banks chartered by other states.**

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Don't Open the Floodgates to High-Cost Lending

H.R. 7866 is an anti-affordability bill. It would undermine state interest rate protections, make it easier for high-cost lenders to impose triple-digit rates, and add thousands of dollars to the annual cost of borrowing for households and small businesses. **Congress must preserve states' ability to enforce the interest rate protections they have chosen for loans made to their residents. Vote NO on H.R. 7866.**

[1]The federal Military Lending Act sets a 36% rate cap on loans to servicemembers and their dependents. No such federal protection exists for other borrowers (including military veterans).

[2]See Ctr. for Responsible Lending, Nat'l Consumer L. Ctr. & Student Borrower Prot. Ctr., Comment on Request for Information on Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses (Oct. 30, 2024), https://www.nclc.org/resources/comments-on-risks-of-bank-fintech-arrangements-involving-lending/ (reporting charge-off rates of 56% for Enova, 52% for Elevate, and 58% for OppFi).

[3]Office of the Comptroller of the Currency, Peoples National Bank to Pay $175,000 Civil Money Penalty and End Payday Lending Relationship with Advance America, News Release 2003-6 (Jan. 31, 2003), https://www.occ.gov/news-issuances/news-releases/2003/nr-occ-2003-6.html. Today, high-cost lenders Enova and OppFi are seeking national bank affiliations that would bring their high-cost lending models into the national banking system.

[4]Colorado, Iowa, Oregon, and Puerto Rico have enacted laws opting out of DIDMCA's interest-rate preemption, although the scope and enforceability of the Colorado and Oregon opt-outs are currently being litigated.