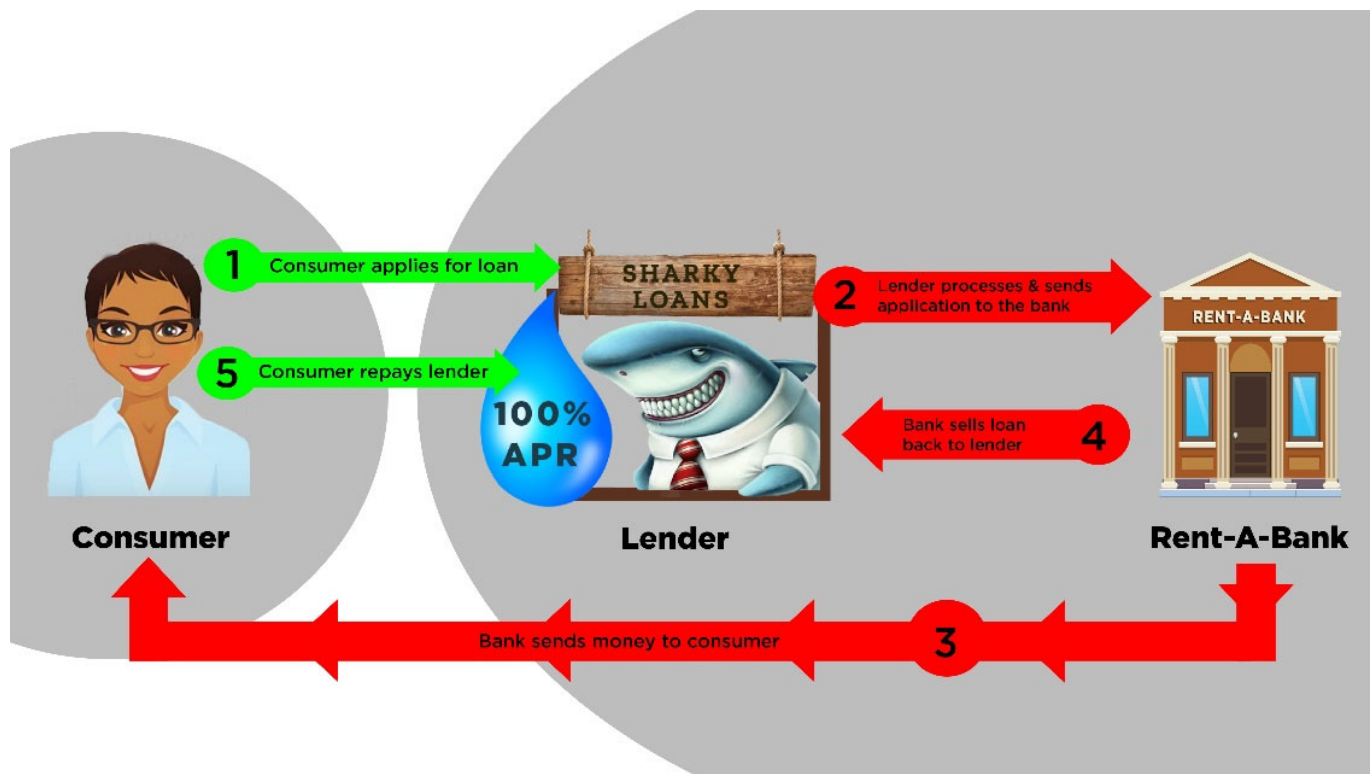


Predatory Lenders' Rent-a-Bank Scheme: What Is It and What Can We Do To Stop It?

What is a “Rent-a-Bank” scheme? In the 1990s-mid 2000s, predatory lenders partnered with banks to evade state interest rate caps. In response, federal regulators, the FDIC and OCC, cracked down on this practice. Now, under the Trump Administration, this scheme is reemerging and going unchecked. In fact, the FDIC and OCC have issued proposed rules that could bless this practice, allowing predatory lenders to issue loans of more than 100% APR in states that have interest rate caps of much less, often around 36%.

How does it work? The graphic below shows the process that predatory lenders have set up to evade state interest rate caps. Since state interest rate limits do not apply to banks, the predatory lender uses the bank and offers loans at more than 100% APR, claiming the bank is the true lender even though it is not. Essentially, the consumer is unaware of the money laundering that is going on in the background.



What did the FDIC and OCC just propose? The FDIC and OCC proposed a new rule stating that when a bank sells, assigns, or otherwise transfers a loan, interest permissible prior to the transfer continues to be permissible after the transfer. That means that instead of cracking down on rent-a-bank schemes, which is their responsibility as regulators, their proposal would facilitate these schemes. If finalized, the rule could open the floodgates to predatory loans spreading across the country and crush states' ability to protect their residents from debt traps.

What can you do to stop these predatory loans? Stop the FDIC and OCC from greenlighting rent-a-bank schemes by **submitting a public comment in opposition to their proposed rule:**

- **Sign-on** to the OCC sign-on letter by **January 20 COB** and the FDIC sign-on letter by **February 3 COB** (non-profits only). <http://bit.ly/OCCandFDICletter>
- **Submit your own comment** by the agency deadlines: January 21 for the OCC (regs.comments@occ.treas.gov) and February 4 for the FDIC (comments@fdic.gov). If you'd like to use a template, please reach out to Graciela Aponte at Graciela.Aponte@responsiblelending.org.

For additional information, check out fact sheets from Center for Responsible Lending at <http://bit.ly/CRLrentabank> and National Consumer Law Center at <http://bit.ly/StopRent-a-BankSchemes> & <http://bit.ly/FDICrent-a-bankproposal>