

September 20, 2017

Dear Member of Congress:

The undersigned organizations urge your office to support the Senate and House companion bills, S. 1659/H.R. 3760, the “Protecting Consumers from Unreasonable Credit Rates Act,” sponsored by Senator Richard Durbin, Senator Jeff Merkley, Representative Matt Cartwright, and Representative Steve Cohen. The Senate and House bills would extend to all consumers a 36 percent usury APR cap. A fair rate cap will protect consumers by curbing abuses in the high-cost small dollar loan market, while permitting responsible lending on reasonable terms to continue. A strong rate cap also has strong public support, with a large majority of the public consistently supporting interest rate caps on payday, car title, and other high-cost loans.¹

Currently, payday and car title lenders charge triple digit annual interest rates, often 300 percent or higher. A large body of research has demonstrated that these products are structured to create a long-term debt trap that drains consumers’ bank accounts and causes significant financial harm, including delinquency and default, overdraft and non-sufficient funds fees, increased difficulty paying mortgages, rent, and other bills, loss of checking accounts, and bankruptcy. The lack of underwriting for ability-to-repay, high fees, and access to a borrower’s checking account or car title enables lenders to repeatedly flip borrowers from one unaffordable loan to another. A large portion of borrowers eventually default, but often not before paying hundreds or even thousands of dollars in fees. A meaningful usury cap is the most effective way to stop this debt trap.

It is vitally important for Congress to set the outside limit on the cost-of-credit to curb abusive lending. Today, 15 states plus D.C. enforce rate caps of about 36 percent or lower, reaching over 90 million Americans. In 2006, Congress, with the support of the U.S. Department of Defense, similarly enacted a 36 percent cap for loans to active duty military members. Thus, we know from experience that a rate cap like that proposed by the Senate and House bills is the most effective way to stop the harms of these abusive loans.

Although many states cap rates for some forms of credit, many states permit payday lenders and car title lenders to charge astronomically high rates. Veterans, seniors, women, and communities of color are most often targeted for exploitation by these unaffordable high-cost loans. In addition, without a federal usury limit, banks can undermine strong state protections by exporting their weak home-state laws addressing credit costs to other states across the country. While the Consumer Financial Protection Bureau is expressly prohibited from setting a rate cap, Congress is not and should do so. A federal rate cap puts all creditors on a level playing field without undermining any additional consumer protections in the states.

For these reasons, we enthusiastically support the Protecting Consumers from Unreasonable Credit Rates Act and urge your office to do the same. For more information, please contact Yana Miles at Yana.Miles@responsiblelending.org.

¹ See, e.g., Lake Research Partners, National Poll Results, 2015, <http://bit.ly/1J2QMGM>, showing over three-quarters of likely voters across party lines support capping payday loans at much lower than their current rates. Ballot initiatives where the issue has been taken directly to voters have also enjoyed overwhelming success; most recently, in 2016, 76% of South Dakota voters voted to enact a 36% rate cap in that state.

Sincerely,

AFSCME
AIDS Foundation of Chicago
Allied Progress
Americans for Financial Reform
Arkansans Against Abusive Payday Lending
Billings First Congregational Church – UCC
Casa of Oregon
Center for Responsible Lending
Communications Workers of America (CWA)
Consumer Action
Consumer Federation of America
Consumers Union
Empire Justice Center
Georgia Watch
Heartland Alliance for Human Needs & Human Rights
Hel's Kitchen Catering
Holston Habitat for Humanity
Illinois Asset Building Group
Illinois People's Action
Indiana Institute for Working Families
Kentucky Equal Justice Center
Knoxville-Oak Ridge Area Central Labor Council
The Leadership Conference on Civil and Human Rights
Montana Organizing Project
NAACP
National Association of Consumer Advocates
National CAPACD
National Consumer Law Center (on behalf of its low-income clients)
National Community Reinvestment Coalition
New Jersey Citizen Action
People's Action
PICO National Network
Prosperity Indiana
Public Citizen
Strong Economy for All Coalition
Student Action
Tennessee Citizen Action
UnidosUS (formerly NCLR)
Virginia Organizing
VOICE -- Oklahoma City
Woodstock Institute