Good morning Chairman Brown, Ranking Member Toomey, and Members of the Committee. I am Ashley Harrington, Director of Federal Advocacy and a Senior Policy Counsel at the Center for Responsible Lending.

Thank you for the opportunity to discuss predatory high-cost lending.

Payday and car title lenders charge around 300% APR and strip away nearly $8 billion in fees annually from people typically earning $25,000 a year.

75% of these businesses' fees are generated from people stuck in more than 10 loans a year. This is the **debt trap**, and it's how payday lenders succeed—by making sure their customers fail.

High-cost installment loans are no different.

These loans are for much larger dollar amounts, with rates of 100% or higher, and with repayment periods of 6 months to 7 years.

The high interest rate, combined with the long repayment period, turn these loans into interest-only or even negatively amortizing loans. Borrowers pay thousands of dollars toward interest with nothing going toward the principal in the first couple years and defaults are **extraordinarily high**.

Many online installment lenders seek to disguise their harmful lending practices under the guise of "fintech" and "innovation" while making excessively priced loans with direct access to a borrowers' bank account and no safeguards of affordability.

But, let's be clear: these are marketing terms that do not wipe away the harm caused by these unaffordable loans.

Payday lending in many ways is playing out the same way that the mortgage crisis did. Predatory lenders purport to provide access to credit in communities of color. Lax regulation enables lenders to target these communities and offer loans on predatory terms that are designed to strip wealth, not build it.

Bottom line: high-cost lending disproportionately harms Black and Latino communities, exploiting and perpetuating the racial wealth gap.

Policy trends at the state and federal level for more than a decade have been to rein in the harms of these unsafe loans, ranging from Congress' 2006 passage of the Military Lending Act to voter-enacted 36% rate caps in Nebraska, Colorado, South Dakota, Montana, and Arizona. All passed with overwhelming bipartisan support.

In total, 32 states plus DC cap rates at 36% or less for a $2,000 loan. Eighteen states plus DC have interest rate caps of 36% or less that apply to payday loans.

Some states with caps, like my home state North Carolina, experimented with permitting payday lending and then determined their citizens were better off without those loans. And after North Carolina reinstituted its rate cap, data showed that people turned to other, safer options -- both credit and not credit -- to deal with financial shortfalls, and former borrowers said they were better off without these loans. Experiences in other states post-rate cap tell a similar story.

Support for a rate cap is also strong across party lines. National polling data as well as state ballot measures repeatedly show this. Among registered voters, 70% of Republicans and 72% of Democrats support a rate cap of 36% on payday and installment loans. It is also supported by a broad, ideologically diverse coalition of faith, consumer, civil rights and small business groups adamant that predatory high-cost lending must end. And they have long advocated that a 36% federal interest rate limit is the most effective way to do it.

Evidence from the real world is clear: the only access this predatory lending provides is access to debt It is wealth stripping that fuels financial exclusion, not financial inclusion.

Borrowing a payday loan makes a person more likely to face a cascade of harms, including delinquency on other bills, abusive debt collection, loss of a bank account, loss of a car, and even bankruptcy. Make no mistake: high-cost loans aren't rungs up the ladder to better credit; rather, they knock the ladder out from under their borrowers, pushing the financial mainstream further out of reach.

It is past time that federal lawmakers took the steps needed to protect consumers across this country from the devastating impact of predatory, high-cost lending.

Just like pulling weeds from a garden allows the flowers to bloom, ridding the market of predatory loans clears space for responsible credit products—and borrowers and communities—to thrive.

I want to thank Chairman Brown, as well as Senators Reed, Merkley, and Van Hollen for their leadership in protecting borrowers from predatory lending with the VCFCA. I look forward to your questions.