

Good morning Chairman Brown, Ranking Member Toomey and members of the Committee. I am Lisa Stifler, Director of State Policy at the Center for Responsible Lending, an affiliate of the Self-Help Credit Union.

Thank you for the opportunity to discuss the single greatest threat to the ability of states to protect their residents from payday and other high-cost loans. With the blessing and facilitation of federal regulators, we are seeing the reemergence of predatory rent-a-bank lending schemes. In these schemes, a nonbank lender makes loans at rates higher than allowed by state law by renting out the name and charter of a rogue bank that is exempt from state interest rate caps, and the nonbank lender attempts to claim that exemption for itself. These partnerships are shams created with the express purpose of skirting state law, and they trap consumers in unaffordable loans.

The OCC's "true lender" rule will pave the way for more of these schemes to proliferate. The rule was hastily proposed and then finalized a week before the 2020 election, with the agency failing to meaningfully address concerns raised in the more than 4,000 comments filed. The rule facilitates rent-a-bank schemes just like those used by payday lenders in the early 2000s – until both federal and state regulators shut them down.

The rule overturns the decades-long OCC position that these sham arrangements are "an abuse of the national charter." The OCC also ignored the procedural requirements in the Dodd-Frank Act established by Congress to prevent this exact kind of regulator over-reach – the OCC's aggressive preemption of state consumer protection laws that precipitated the 2008 financial crisis.

It is no mystery what happens when these protections are removed. The cycle of financial instability caused by high-cost lending is the reason states adopted these protections in the first place. The harms fall most harshly on lower-income working families and communities of color. This is why faith leaders, community, and civil rights groups across the country, are united in opposition to this rule, as are Attorneys General and state banking regulators from both parties.

How the OCC's rule will work is already clear, because OCC-regulated banks are enabling some of the most predatory loans on the market. For over a year, Stride Bank has been helping the payday lender CURO pilot installment loans at rates as high as 179% APR for loans up to \$5,000. This outrageously priced loan is illegal in

almost every state. Yet, the OCC rule invites predatory lenders to evade state laws by paying a bank to put its name on the paperwork.

Another OCC-regulated bank, Axos Bank, rents its name and charter to the predatory small business lender World Business Lenders. WBL loans run in the tens and even hundreds of thousands of dollars and carry rates as high as 268%. Often secured by the borrowers' personal residence, these loans are causing small business owners to **lose their homes**.

The OCC is aware of these sham arrangements, but it has taken no public action against the banks and even directly supported WBL in court. Clearly, the agency's assurances that the rule will not allow harmful loans are belied by these facts and the agency's own actions.

People and communities across the country are reeling from the economic impacts of COVID-19. As we look to create a strong recovery for all, one way **not** to help these families is to eviscerate state interest rate laws. Congress, and the prudential regulators, should focus on ensuring a fairer financial system that serves all consumers, rather than creating new avenues for predatory lenders to drive consumers further away from the financial mainstream. Because Congress has not yet enacted a federal interest rate ceiling, state interest rate limits are the **only** protection against high-cost predatory loans.

This is not a close call or a complicated issue. The OCC's rushed and ill-conceived rule is bad for consumers and small businesses, is bad for states' rights, overturns centuries of case law, and is antithetical to the goal of an inclusive economic recovery. And it is illegal under federal law.

Simply put, this rule facilitates loans illegal under state law – not just any loans but ones reaching 200 and 300% APR. That's the decision here – siding with illegal lending practices or standing up against them. We urge you to stand up against them and repeal the OCC's rule.

Thank you, and I look forward to answering any questions.