Arizona law limits interest rates to protect its residents from predatory lending. Under Arizona law a two-year $2,000 loan is limited to 41% APR.

But FDIC-supervised banks are fronting for high-cost lenders to help them evade Arizona law and make loans over 100% that are illegal in Arizona. Banks are exempt from state rate caps, and a few rogue banks are helping predatory lenders disguise their loans as bank loans so they can charge triple-digit interest rates. Predatory rent-a-bank lending hurts consumers and disabled veterans.

These installment lenders are now using rent-a-bank schemes to evade Arizona law:

- Elevate’s Rise uses FinWise Bank or CC Bank, both of Utah, to make $500 to $5,000 loans with APRs of 99% to 149%.
- Enova, which operates the CashNetUSA payday loan stores, uses NetCredit to make installment loans of $1,000 to $10,000 with APRs up to 100% through Republic Bank & Trust of Kentucky.
- OppLoans (aka OppFi) makes $500 to $4,000 loans at 160% APR through FinWise Bank, First Electronic Bank of Utah, or CC Bank.
- Personify Financial makes $500 to $15,000 loans with APRs as high as 189% through First Electronic Bank.
- Axcess Financial, which runs the Check ‘n Go payday loan stores, offers the Xact installment loan through Capital Community Bank at 145% to 225% APR.

In 2021, Congress, on a bipartisan basis, passed a resolution to override a regulation, the “fake lender” rule, that would have protected predatory rent-a-bank schemes. President Biden, when signing the resolution, said: “rent-a-bank schemes … allow lenders to prey on veterans, seniors, and other unsuspecting borrowers tapping in the – trapping them into a cycle of debt.” Rent-a-bank schemes are of questionable legality and have been challenged in court.

But a few, rogue FDIC-supervised banks are still helping predatory lenders evade state laws.

To preserve Arizona’s authority to stop predatory lending, we must:

- Tell the FDIC to stop its banks from fronting for predatory lenders evading state law.
- Pass the Veterans and Consumers Fair Credit Act, S. 2508/H.R. 5974, to enact a national 36% interest rate cap covering all lenders, including banks, and allow states to set lower limits.