

May 6, 2013

Dear Member of Congress,

The undersigned consumer organizations write to strongly urge you to oppose H.R. 1566, the “Consumer Credit Access, Innovation, and Modernization Act.”

The bill would:

- Provide a special protected status to some of the most harmful consumer financial products sold online, such as payday loans, car-title loans, and tax refund anticipation loans;
- Hamper the Office of the Comptroller of the Currency’s and the Consumer Financial Protection Bureau’s regulatory authority over online lenders;
- Attack the CFPB, OCC, FDIC and Federal Reserve’s recent efforts to protect consumers against payday loans;
- Override state consumer protection laws through preemption; and
- Circumvent over 40 years of consumer protection law by prohibiting disclosure of the true cost of credit extended to consumers, expressed as an annual percentage rate.

H.R. 1566 would create an OCC charter, with joint CFPB enforcement, for online lenders, selling harmful products—such as payday loans, car-title loans, and tax-refund anticipation loans. The CFPB and OCC currently have strong powers to address such products, and both agencies, along with the FDIC and Federal Reserve, have recently taken important steps to protect consumers from abusive small-dollar loans. But H.R. 1566 would roll back these efforts by forcing the OCC and the CFPB to rubber stamp harmful small-dollar loans made by chartered lenders under lower consumer protection standards. In addition, the bill would exempt lenders from core consumer protections, such as the federal requirement that they disclose the annual interest rate on loans.

The bill would allow Internet lenders to override state-based consumer protections through preemption. By obtaining an OCC charter, non-depositories could evade state consumer protections. But the states’ strong consumer protections would not be replaced by equivalent or stronger federal law; instead, the non-depositories could take advantage of weaker standards in the bill.

The legislation also requires the agencies to “encourage and facilitate” online lenders to partner with depository institutions and third-party vendors. The OCC and the FDIC have recently voiced concern that such partnerships could harm consumers, threaten the safety and soundness of banks, and pose serious compliance problems for bank secrecy and money laundering controls. The banking regulators caution depository institutions from engaging in such partnerships, but the charter bill would promote them.

H.R. 1566 would backtrack on Congress’ promise to consumers in the Dodd-Frank Act, and would negate the hard work these regulatory agencies have recently done to protect consumers from predatory small-dollar lending. This bill offers nothing beneficial for consumers—and

giving online lenders a special protected status would set a precedent for many other non-depositories to also seek exclusion. Online lending is growing rapidly and should be subject to close oversight, not reduced oversight.

We urge you to oppose H.R. 1566 and allow the CFPB and the states to consider appropriate rules of the road so that consumers can choose among products in a fair and transparent marketplace.

For further information, please contact Ken Edwards at the Center for Responsible Lending, (202) 349-1865, [ken.edwards@responsiblelending.org](mailto:ken.edwards@responsiblelending.org); or Maura Dundon at the Center for Responsible Lending, (202) 349-1859, [maura.dundon@responsiblelending.org](mailto:maura.dundon@responsiblelending.org).

Sincerely,

Americans for Financial Reform  
Center for Responsible Lending  
Consumer Federation of America  
Consumers Union  
Greenlining  
The Leadership Conference on Civil and Human Rights  
NAACP  
National Consumer Law Center  
National Fair Housing Alliance  
National People's Action  
US PIRG