# Advocates Applaud Bill to Cap Interest Rates at 36%

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Washington, D.C. – Advocates at the National Consumer Law Center (NCLC) applauded today's introduction in Congress of a bill to cap interest rates nationwide at 36%, including fees, which NCLC is supporting on behalf of its low-income clients.

"It is fitting that as we celebrate Veterans' Day that we honor our veterans by extending to them and all Americans the same protection that our servicemembers receive: protection against usurious loans that exceed 36% APR," **said Lauren Saunders, associate director of the National Consumer Law Center**. "Most Americans would be shocked to learn that today predatory lenders can legally charge 100%, 200%, or even higher interest rates in many states. While a 36% rate cap sounds high to most people, and it will not hurt legitimate businesses, it will stop the most egregious forms of loan sharking. The 36% interest rate cap goes back more than a century and is widely supported by the American public on a bipartisan basis. Reasonable interest rate caps are the simplest most effective protection against predatory lending."

The Veterans and Consumers Fair Credit Act would stop high-cost predatory loans, and also prevent banks from getting back into the payday loan business, by setting a maximum national rate of 36% APR including fees on consumer loans. A few years ago, banks were making "deposit advance" loans, aka bank payday loans, at rates over 200%, and with a change of leadership at the bank regulators, some banks are thinking of returning to those loans. Currently there is no generally-applicable national interest rate cap, though many states limit interest rates. In 2018, Colorado joined a growing number of states, including South Dakota (2016) and Montana (2010), whose voters have resoundingly passed initiatives on a bipartisan basis to cap interest rates at 36% or less.

The Act is sponsored in the Senate by Senators Merkley (D-OR), Brown (D-OH), Reed (D-RI), and Van Hollen (D-MD); and in the U.S. House of Representatives by Reps. Grothman (R-WI) and Chuy Garcia (D-IL).

The legislation is modeled after the federal Military Lending Act, which caps loans to servicemembers and their dependents at 36%. But the MLA does not cover veterans or other consumers.

"Importantly, the Veterans and Consumers Fair Credit Act would allow states to set a lower rate, which is especially important for larger loans. While 36% is a reasonable rate for small loans, many states limit a $10,000 loan to 25% APR or lower," **Saunders added**.

*For more information:*

- Issue Brief: After Payday Loans: How do Consumers Fare When States Restrict High-Cost Loans? 2018
- Report: Why 36%? The History, Use, and Purpose of the 36% Interest Rate Cap, April 2013
- Fact Sheet: State Annual Percentage Rate (APR) Caps for $500, $2,000, and $10,000 Installment Loans, March 2019