

# Consumer and Civil Rights Groups Strongly Oppose FDIC Rent-a-Bank Payday Proposal that Would Sidestep State Interest Rate Caps

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*National Consumer Law Center and Center for Responsible Lending Experts to Testify in Rent-a-Bank Hearing before U.S. House Today at 10am ET*

Washington, D.C. – Eleven national consumer and civil-rights groups submitted a comment letter late yesterday to the Federal Deposit Insurance Corporation (FDIC) strongly opposing the federal banking regulator’s proposal, which risks green lighting triple-digit rent-a-bank schemes. High-cost lenders use these schemes to funnel their loans through rogue banks to try to avoid state limits on predatory loans.

The Center for Responsible Lending, National Consumer Law Center, Leadership Conference on Civil and Human Rights, NAACP, National Association for Latino Community Asset Builders, Americans for Financial Reform, Consumer Federation of America, U.S. PIRG, Consumer Action, National Association of Consumer Advocates, and the National Coalition for Asian Pacific American Community Development (National CAPACD), urge the FDIC to withdraw its proposal in its comment letter.

“The FDIC’s proposal would encourage high-cost lenders to use banks as a fig leaf to create a tsunami of predatory and usurious loans up to 160% APR interest,” **said National Consumer Law Center Associate Director Lauren Saunders.** “These longer-term high-cost loans put struggling families in an even bigger, deeper, and harder to escape debt trap than short-term payday loans, and the FDIC must stop them.”

“The FDIC should rescind this misguided proposed rule. If the rule is finalized, it would pull more people into debt trap loans and erode confidence in the banking system,” **said Center for Responsible Lending Senior Policy Counsel Rebecca Borné.**

The more than 60-page comment notes that nonbank predatory lenders are brazenly and publicly discussing plans to roll out unlawful rent-a-bank arrangements. The comments note that:

The proposal fails to consider that rent-a-bank schemes are already underway with several FDIC-supervised banks. With respect to consumer loans, five FDIC-regulated banks, **Republic Bank & Trust** (chartered in Kentucky) and **FinWise Bank** (chartered in Utah) are helping three high-cost lenders, **OppLoans**, **Elevate**, and **Enova**, make installment loans or lines of credit in excess of 100% APR in a total of at least 30 states and the District of Columbia (DC) that do not allow such high rates.

“If these bold efforts to flout the law succeed, rent-a-banking could explode, with every state seeing high-cost lenders to evade state usury laws,” **said Saunders.** “Rent-a-bank schemes jeopardize the states’ role under our federalist system in protecting consumers, and the FDIC’s proposed rules are unlawful, unnecessary, and harmful.”

**The FDIC proposal also fails to consider payday lenders’ explicit plans in California to**

**broadly expand rent-a-bank schemes to dodge California's new law**, which came into effect on January 1, 2020, as noted in the comments:

Three high-cost lenders [Elevate, Enova, and Curo Group], which were charging from 135% up to 199% APR on high-cost installment loans—rates illegal under the new law—indicated their plans to start or expand rent-a-bank arrangements into California, with the clear intent to evade the new interest rate cap.

***Watch via live stream today at 10 a.m. ET: U.S. House Financial Services Committee hearing on rent-a-bank schemes to evade state usury laws. Read NCLC's Lauren Saunders' testimony and CRL's Graciela Aponte-Diaz's testimony.***