

Consumer and Civil Rights Groups Urge Federal Banking Regulator to Stop Rent-a-Bank Payday Loan Schemes

FOR IMMEDIATE RELEASE: January 22, 2020

Groups Strongly Oppose OCC Proposal that Would Bypass State Rate Caps to Allow High-Cost Predatory Loans

Washington, D.C. – 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, Public Citizen, and U.S. PIRG, sent a strong message late yesterday to a federal bank regulator, the Office of the Comptroller and Currency (OCC), opposing a proposed rule that would encourage rent-a-bank schemes that enable loans of 100% APR or higher in states that prohibit high-cost loans and even mortgages up to 138% that drive small business owners into foreclosure. The groups argued that the proposal could make it easier for non-bank lenders to launder money through banks and unleash a flood of predatory loans.

The 55-page comment states that the OCC lacks authority under the National Bank Act to authorize non-banks to charge usurious rates, and that the OCC has failed to follow the requirements of the 2010 Dodd-Frank Act before preempting state law. The comments also criticize the agency for failing to consider the risks the proposal poses to consumers and small businesses, especially those who are financially vulnerable. **Additionally, the OCC is already failing to stop a rent-a-bank scheme by an OCC-supervised federal savings association, Axos Bank, which is enabling predatory loans by World Business Leaders. The comment states in part:**

“The proposed rule would allow predatory non-bank lenders to launder their loans through banks to evade state interest rate caps. The proposal is outside the OCC’s statutory authority; it is not justified by any evidence of problematic impact on legitimate bank operations; and the OCC has failed to consider the strong likelihood that the proposal will unleash a torrent of predatory lending. The proposal will take away powers that states have had since the time of the American Revolution to protect their residents.

“Our concerns are not speculative. The OCC has directly supported the claim that a predatory non-bank lender, World Business Lenders, can charge 120% APR on a \$550,000 loan despite Colorado law to the contrary. In that context, the OCC used the same Chicken Little claims and revisionist history it uses to justify this proposal. The OCC has failed to restrain Axos Bank, a federal savings bank, from fronting for WBL on horrific loans—often personal loans disguised as business loans—including a 138% APR \$90,000 mortgage, a 92% APR \$175,000 mortgage, and a 73% APR \$28,000 mortgage. In the consumer space, predatory rent-a-bank lending is happening through FDIC-regulated banks. More OCC-supervised banks are likely to follow if this proposal is finalized.

“The OCC’s direct support for World Business Lenders on the same grounds used to justify the proposed rule shows exactly what should be expected to happen if the rule is finalized: predatory lending, which not only may leave people in financial ruin but jeopardizes their homes and businesses.”

The comment also notes that the OCC fails to consider the risks the proposal poses to the safety and soundness of national banks, and that the OCC fails to consider the proposal's impact on market participants that comply with state law.