Civil Rights and Consumer Groups Implore the FDIC to Say No to Bank Payday Loans and Rent-a-Bank Payday Lending

FOR IMMEDIATE RELEASE: January 23, 2019
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Washington, D.C. – In comments submitted late yesterday, national civil rights and consumer nonprofits urged the Federal Deposit Insurance Corporation (FDIC) not to sanction high-cost loans made by banks directly or through rent-a-bank partnerships with payday lenders. **The comments were sent by the National Consumer Law Center, the Center for Responsible Lending, the Leadership Conference of Civil and Human Rights, Americans for Financial Reform Education Fund, and the NAACP**, in response to the FDIC's request for information (RFI) on small-dollar lending.

In their comments, the groups explained that, "The longstanding banking principles we emphasize here are (i) opposition to rent-a-bank schemes where banks rent their charters to nonbank lenders to circumvent state law; (ii) lending based on ability-to-repay, which requires consideration of both income and expenses; (iii) and responsible pricing that does not exceed 36% APR."

"Affordability is key. Banks should not make debt trap loans at excessive rates, or without considering the consumer's ability to repay in light of income and expenses. Voters across the spectrum have repeatedly approved 36% as a maximum interest rate, and the FDIC should not back down on its longstanding guidance urging banks to stick to that limit," **said Rebecca Borné, a senior policy counsel with the Center for Responsible Lending.**

The coalition's comments also noted that "Nonbank lenders seek rent-a-bank arrangements to make loans that would be illegal under state law for the nonbank lender to make directly. In rent-a-bank operations—both old and new—the nonbank lender is in the driver's seat. The bank is a fig leaf, originating the loan and perhaps having a minor additional role that merely serves as cover for the fact that the main value the bank adds is its interest rate preemption rights. In some arrangements, the nonbank lender keeps as much as 99% of the profits."

"The FDIC must crack down on irresponsible rent-a-bank lending by banks such as FinWise Bank, which is enabling the payday lenders OppLoans, and Rise to make loans up to 160% APR in states where those rates are illegal," **said Lauren Saunders, associate director of the National Consumer Law Center.** "Responsible banks make reasonably priced loans in their own name inside the bank. They do not help payday lenders expand their own predatory lending programs," **she added**.

The group's comments expressed appreciation for "the FDIC's ongoing work to encourage banks to meet consumers' needs and to promote a more inclusive banking system. Indeed, we are very concerned about the persisting racial disparities the new FDIC unbanked/underbanked survey underscores, and we appreciate that the FDIC continues to shine a light on these disparities."

"Research shows that a disproportionate share of payday borrowers come from communities of color, and bank payday loans that jeopardize their bank accounts can leave people in these communities even more underserved by mainstream banks," **said Rob Randhava, senior policy counsel at the Leadership Conference on Civil and Human Rights.** "FDIC banks have never made bank payday loans, for good reasons, and it would be dangerous to let them start doing it now."

The full set of long comments is available at: http://bit.ly/2R8ZxtX

A separate set of comments signed by 88 members of the Stop the Debt Trap coalition is available at:
http://stopthedebttrap.org/wp-content/uploads/2019/01/fdic-smalldollarlendingrfi-rin-3064za04-20190122.pdf