TAB Bank and EasyPay Finance’s Predatory Loans Harm Veterans and Servicemembers

May 25, 2022

Military servicemembers, veterans, and their families report outrageously high interest rates and deceptive lending practices

WASHINGTON – The predatory lending practices of EasyPay Finance and Utah-based, FDIC-supervised Transportation Alliance Bank (TAB Bank) are hurting military servicemembers, veterans, and their families, according to a new report from a coalition of consumer advocacy groups released in advance of Memorial Day.

EasyPay Finance, which charges up to 189% APR, is popping up as a financing option at furniture stores, auto repair shops, pet stores and other retail outlets everywhere – including at shops near military bases where the loans are more likely to affect servicemembers. For example, EasyPay Finance is available at numerous auto repair locations and furniture stores that offer EasyPay loans near a military base.

“The fact that predatory lenders continue to target military families is unacceptable,” said Besa Pinchotti, CEO of the National Military Family Association. “Military families make tremendous sacrifices for our country every day. It’s outrageous that after all the work we’ve done to protect our military families, they continue to be preyed upon by lenders—especially when they’re at their most vulnerable—needing money for car repairs, to furnish their homes after a military-mandated moves or to make ends meet during a deployment.”

Because banks are exempt from state interest rate caps, TAB Bank helps disguise EasyPay Finance loans as “bank loans,” enabling it to charge exorbitant rates in states that prohibit them. One Virginia military consumer complained about “illegal” 119% interest that appeared to be far above Virginia’s legal rate.

“The men and women who have served our country deserve better than predatory loans,” said Paul E. Kantwill, executive director of The Rule of Law Institute at Loyola University Chicago School of Law. “At 100% to 189% APR, TAB Bank and EasyPay Finance’s loans evade state interest rate laws and harm members of the military community.”

The complaints indicate that EasyPay Finance and TAB Bank may be violating or evading the Military Lending Act, a law that limits the annual interest rate on loans to military servicemembers and their dependents to no higher than 36%. For example, one servicemember in Virginia got stuck with 96% APR for an auto repair and couldn’t get EasyPay to fix the rate. Another servicemember in Nevada advised the pet store that they were military but “I am now paying 189% interest on my loan. When I called [EasyPay] they were rude and said they do not have to lower my interest rate at all and they based it all on a loophole.”

“It is unconscionable that TAB Bank and EasyPay Finance are making loans with up to 189% interest to servicemembers and veterans,” said Lauren Saunders, associate director of the National Consumer Law Center. “Auto repair shops, pet stores, and other retailers concerned with their reputation should stop steering customers to predatory loans by TAB Bank and EasyPay Finance.”
“EasyPay and TAB Bank are using the harmful rent-a-bank model to evade state and federal laws and lure servicemembers and veterans into predatory, outrageously priced loans for auto repairs, pet adoptions, and other retail purchases,” said Rachel Gittleman, financial services outreach manager of the Consumer Federation of America.

Numerous military consumers have complained about EasyPay loans to the Consumer Financial Protection Bureau, reporting:

- **Outrageous interest rates of 96% to 189% charged to servicemembers, veterans or their family members**, sometimes in states that do not allow those rates.
- Payments for months and years that **do little to reduce the loan balance**.
- Interest rates **hidden in fine print**. Applications required to be completed on small cellphones, making the contract language barely legible, leave consumers in the dark about the terms.
- **Promises of elusive full interest rebates** if paid in 90 days, with obstacles that prevent consumers from avoiding interest.
- **Automatic payments not properly processed**, leading to late payments that deprive the consumer of the interest rebate.
- **Rude and unhelpful customer service and administrative errors**, leading to missed payments, fees, and loss of the interest-free option.
- **Harm to credit reports**, including from loans paid in full or reported inaccurately. No response to consumer disputes.
- **Debt collection issues**, with loans sent to collectors after the interest balloons, insults even when payments errors happened while the consumer was in the hospital, and collectors failing to correct credit reports after the loan is paid.

“The Department of Defense studied high-interest loans like those issued by EasyPay Finance and TAB Bank and concluded they harmed troops and their families – and undermined military readiness,” said Nadine Chabrier, senior policy counsel at the Center for Responsible Lending. “TAB Bank and retailers, such as Meineke, should stop facilitating the sale of EasyPay loans, which inflict pain upon military communities and consumers across the country. The FDIC is responsible for supervising TAB Bank and should stop it from abusing its charter by enabling these predatory loans.”

A recent consumer alert warns of deceptive auto repair financing practices and tells consumers what steps to take if they’ve taken out an EasyPay/TAB bank loan. Military Families need to read the small print to avoid costly loans at high interest rates, and know their rights under the Military Lending Act. Those who have experienced these unreasonably high interest rates and deceptive financial lending practices should contact the Consumer Financial Protection Bureau for investigation.

The coalition is also circulating a petition to urge the FDIC to stop TAB Bank and other banks from helping nonbank lenders disguise their loans as bank loans that are exempt from state interest rate limits. The petition currently has more than 19,000 signatures.