

New Bank Regulator Leadership Welcome; Congress Still Must Roll Back Rule Promoting Predatory Lending

For Immediate Release: May 5, 2021

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Washington, DC - Advocates welcomed reports that Treasury Secretary Janet Yellen plans to appoint a new acting head of the Office of the Comptroller of the Currency (OCC), replacing Blake Paulson, in light of the highly deceptive and false claims that the agency, under Paulson's leadership, put forward as Congress debates overturning the OCC's "fake lender" rule. The fake lender rule will enable a massive expansion of predatory lending in all 50 states if the rule is permitted to remain in effect. Congress must pass the Congressional Review Act (CRA) resolution introduced by Senators Sherrod Brown (D-OH), Chris Van Hollen (D-MD), S.J. Res. 15, and Rep. "Chuy" García. H.J. Res. 35, to overturn the fake lender rule.

Even with a new acting comptroller and eventually a permanent one, advocates stressed the urgency of Congress repealing the fake lender rule. "Congress must repeal the OCC fake lender rule because it is doing active harm right now, defending a predatory business model that destroys small businesses, homes, and lives," **said Lauren Saunders, associate director of the National Consumer Law Center.** "It could easily be two years or more before the rule could be repealed through rulemaking, and families, especially Black and Brown and low-income families, cannot wait."

Predatory small business lenders are using the fake lender rule today to defend a 268% APR rate on loans totaling \$67,000 to a restaurant owner in New York, where the criminal usury rate is 25%. OppLoans (aka OppFi), an online lender offering 160% APR loans in about 27 states that prohibit that rate, cited the OCC's fake lender rule in defense of its loan to a disabled veteran in California, where the legal rate is 36% plus the federal funds rate. OppLoans is evading state rate cap laws supported by broad majorities of voters in Arizona, Montana, Nebraska, and South Dakota; and also laws approved by legislatures in Maine, Ohio, and other states.

"Veterans are being harmed by evasive and predatory rent-a-bank loans, which is why groups like the Military Officers Association of America, Blue Star Families, and Veterans for Education Success support overturning the fake lender rule," **said Mike Saunders, director of military and consumer policy for Veterans for Education Success.**

"The fake lender rule supports a rent-a-bank model that is being used by predatory payday and installment lenders to make triple-digit interest rate loans that are illegal across the country, including to small business owners still reeling from the fallout from the COVID-19 pandemic," **said Rachel Gittleman, financial services outreach manager with Consumer Federation of America.**

“Protecting families from predatory loans by reaffirming state interest rate limits is not only the right thing to do, it is also overwhelmingly popular. Congress should do so by passing the CRA without delay,” **said Graciela Apronte-Diaz, director of federal campaigns at the Center for Responsible Lending.**

A broad, bipartisan cross-section of experts and officials are calling on Congress to repeal the fake lender rule. They include a group of 25 state attorneys general, Democrats and Republicans, worried it will effectively gut their state usury laws.

“The American public on a broad bipartisan basis supports state interest rate caps and does not want to see them evaded,” **said Linda Jun, senior policy counsel for Americans for Financial Reform.** “As recently as November, voters in Nebraska approved interest rate caps by overwhelming margins — South Dakota did the same in 2016 — to stop predatory lending. All 45 states with interest rate limits — and others that may join them — now face the prospect that a federal regulation will invalidate their democratic decisions.”

The regulation also runs counter to the widespread goal of rebuilding the economy as we emerge from the pandemic. The previous administration was willing to throw open the doors to predatory lending in any way possible; the fake lender rule was finalized less than two weeks before the 2020 election without any meaningful review of the 4,000 public comments opposing the rule.