



Predatory Rent-a-Bank Lending in Michigan

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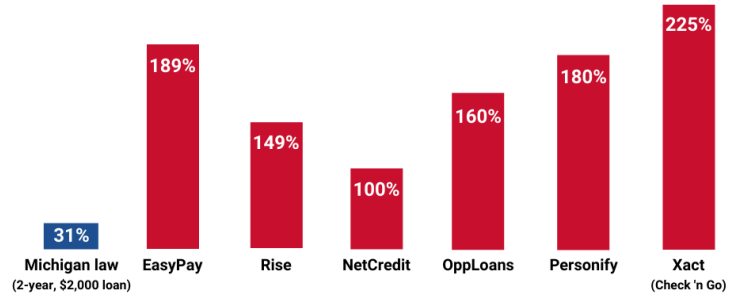
Michigan law limits interest rates to protect its residents from predatory lending. Under Michigan law a two-year \$2,000 loan is limited to 31% APR.

But FDIC-supervised banks are fronting for high-cost lenders to help them evade Michigan law and make loans over 100% that are illegal in Michigan. Banks are exempt from state rate caps, and a few rogue banks are helping predatory lenders disguise their loans as bank loans so they can charge triple-digit interest rates. Predatory rent-a-bank lending hurts consumers and disabled veterans.

These installment lenders are now using rent-a-bank schemes to evade Michigan law:

- EasyPay Finance uses TAB Bank to offer loans at 130% to 189% through pet stores, auto mechanics and furniture stores.
- Elevate’s Rise uses FinWise Bank or CC Bank, both of Utah, to make \$500 to \$5,000 loans with APRs of 99% to 149%.
- Enova, which operates the CashNetUSA payday loan stores, uses NetCredit to make installment loans of \$1,000 to \$10,000 with APRs up to 100% through Republic Bank & Trust of Kentucky.
- OppLoans (aka OppFi) makes \$500 to \$4,000 loans at 160% APR through FinWise Bank, First Electronic Bank of Utah, or CC Bank.
- Personify Financial makes \$500 to \$15,000 loans with APRs as high as 189% through First Electronic Bank.
- Access Financial, which runs the Check 'n Go payday loan stores, offers the Xact installment loan through Capital Community Bank at 145% to 225% APR.

Michigan Maximum APR & Rent-a-Bank Loan Rates



In 2021, Congress, on a bipartisan basis, passed a resolution to override a regulation, the “fake lender” rule, that would have protected predatory rent-a-bank schemes. President Biden, when signing the resolution, said: “rent-a-bank schemes ... allow lenders to prey on veterans, seniors, and other unsuspecting borrowers tapping in the – trapping them into a cycle of debt.” Rent-a-bank schemes are of questionable legality and have been challenged in court.

But a few, rogue FDIC-supervised banks are still helping predatory lenders evade state laws.

To preserve Michigan’s authority to stop predatory lending, we must:

- Tell the FDIC to stop its banks from fronting for predatory lenders evading state law.
- Pass the Veterans and Consumers Fair Credit Act, S. 2508/H.R. 5974, to enact a national 36% interest rate cap covering all lenders, including banks, and allow states to set lower limits.