



Predatory Rent-a-Bank Lending in Montana

February 2022



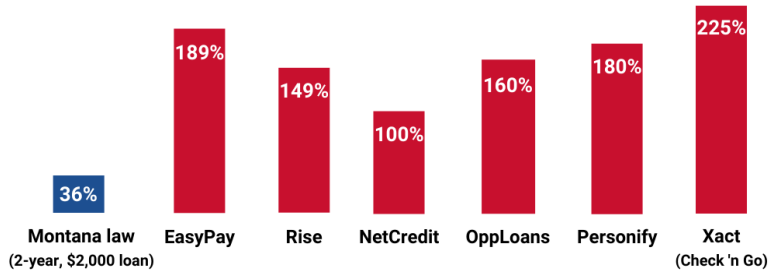
Montana law limits interest rates to protect its residents from predatory lending. Under Montana law a two-year \$2,000 loan is limited to **36% APR**.

But FDIC-supervised banks are fronting for high-cost lenders to help them evade Montana law and make loans over 100% that are illegal in Montana. 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 Montana 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**.
- **Axcess Financial**, which runs the **Check 'n Go** payday loan stores, offers the **Xact** installment loan through **Capital Community Bank** at **145% to 225% APR**.

Montana 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 Montana’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.