



# Predatory Rent-a-Bank Lending in New Jersey

## February 2022

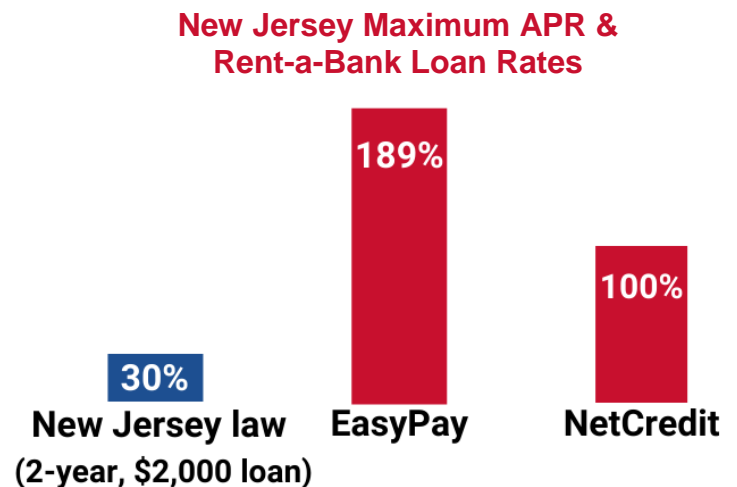


New Jersey law limits interest rates to protect its residents from predatory lending. Under New Jersey law a two-year \$2,000 loan is limited to 30% APR.

But FDIC-supervised banks are fronting for high-cost lenders to help them evade New Jersey law and make loans over 100% that are illegal in New Jersey. 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 New Jersey law:

- EasyPay Finance uses Utah-based TAB Bank to evade the law of Maine and other states so it can make loans at 130% to 189% through pet stores, auto mechanics and furniture stores. Hundreds of consumers across the country have complained about EasyPay loans, including complaints about predatory puppy loans.
- 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.



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 New Jersey’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.