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February 20, 2026

By email to: [LicensingPublicComments@occ.treas.gov](mailto:LicensingPublicComments@occ.treas.gov)

John (J.J.) Hansen  
Director for Licensing  
Community Bank West Region  
Office of the Comptroller of the Currency  
400 7th St. SW  
Washington, D.C. 20219

Re: Application to Form Enova Interim Bank, NA and to Acquire a Target;  
Charter/License #: 25412; OCC Control Number: 2026-Combination-344662

Dear Mr. Hansen,

Thank you for the opportunity to submit these comments on behalf of the low-income clients of the National Consumer Law Center (NCLC) on the application to the Office of the Comptroller of the Currency (OCC) to charter Enova Interim Bank and to acquire Grasshopper Bank, NA. Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training.

The OCC should deny Enova's application. At a time when President Trump is supporting a 10% interest rate limit on credit cards and national attention is focused on the affordability crisis, the Administration should not embark on the unprecedented step of approving a national bank dedicated to unaffordable lending at well over 100% APR with charge-offs over 50%.

Through its CashNetUSA and NetCredit brands, Enova makes installment loans and lines of credit in the thousands of dollars at rates that reach 100% to 300% APR. It has extremely high charge-offs and a predatory, highly deceptive business model that traps consumers in unaffordable loans. Enova's application is transparent that it wants a bank charter so that it can offer those predatory rates nationwide, moving the bank from New York, which limits interest rates, to Utah, which does not. The high charge-offs and abusive lending practices that characterize Enova's lending would not be tolerated in traditional bank lending and should be grounds for denying an application to become a national bank.

Enova also appears to be planning to use its bank to facilitate rent-a-bank lending by other predatory lenders. The application states: “The resulting Bank will focus on consumer and small business lending, retail-deposit gathering, and a proven BaaS [banking-as-a-service] model.”<sup>1</sup> It would break new ground to have a national bank involved in 100%+ APR rent-a-bank lending, providing further grounds to deny the application.

Approval of this application would deeply injure and threaten the national bank charter. It would undermine the integrity of the national bank charter and could open the floodgates to predatory lending under the OCC’s auspices. National banks as a whole could suffer, as it may lead to a growing consensus to end the preemption powers that national banks depend on.

Loans at the high rates, 100% APR and above, that Enova presently charges have high risks that endanger both the lender and the borrower, as described at great length in our 2024 comments on the risks of bank-fintech partnerships.<sup>2</sup> They pose a high risk of violating consumer protection and other laws, including those governing unfair, deceptive or abusive practices, debt collection, credit reporting, fair lending, military lending, privacy and data security, know-your-customer, and community reinvestment requirements. Enova’s lending program also violates the OCC’s small dollar loan guidelines approved during President Trump’s first term.

The OCC has historically maintained lending standards that have kept national banks out of triple-digit APR predatory lending. It should not start now by granting the first charter for a 100%+ APR national bank. A national bank charter is a privilege, not a right. Enova’s lending is not responsible, safe or sound and should not be allowed under a national bank charter.

The application should be denied.

## **1. Enova’s High-Cost Business Model**

Enova operates through several brands. In these comments, we focus on two brands that offer consumer loans in the United States: CashNetUSA and NetCredit.<sup>3</sup> Other commenters may raise concerns about Enova’s small business lending through On Deck.

CashNetUSA offers lines of credit and installment loans through state licenses, only in states that permit high-cost lending. It discloses APRs of 229% and 299%.<sup>4</sup> Those rates may actually be understated, as CashNetUSA charges a 15% cash advance fee on each advance that may not be fully accounted for in the APR.

CashNetUSA’s website<sup>5</sup> gives an example of a \$600 loan with the consumer making biweekly payments of about \$100 over 7.5 months, and a disclosed APR of 299%. The consumer would

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<sup>1</sup> Application to the Office of the Comptroller of the Currency (1) For Prior Approval Of Enova Interim Bank, National Association to Acquire by Merger Grasshopper Bank, National Association, etc. at 12 (Jan. 16, 2026). Banking-as-a-service (BaaS) is the practice of banks allowing their services to be integrated into the banking or financial services offered by nonbank third-party businesses. While BaaS can be used for legitimate products, it can also be used for evasions. For example, origination of loans by banks for nonbank lending programs to enable the non-banks to evade interest rate caps is a form of BaaS.

<sup>2</sup> [Comments](#) of National Consumer Law Center (on behalf of its low-income clients) et al. on Request for Information on Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses to Department of the Treasury, Office of the Comptroller of the Currency [Docket No. OCC–2024–0014] (Oct. 30, 2024) (“2024 NCLC Bank-Fintech Risks Comments”), attached as Exhibit B.

<sup>3</sup> <https://www.enova.com/brands/>.

<sup>4</sup> See, e.g., <https://www.cashnetusa.com/rates-and-terms/alabama> (last visited 2/16/2026) (In Alabama, CashNetUSA offers lines of credit of \$2,000 to \$3,000 with an APR between 229% and 299% APR. In addition, there is a cash advance fee of 15% of the advance).

<sup>5</sup> <https://www.cashnetusa.com/rates-and-terms/alabama>.

pay \$1453.11, nearly three times the amount of the loan, over the 7.5-month term. It is unlikely that many consumers with the poor credit that leads them to CashNetUSA to borrow \$600 would be able to sustain payments of \$100 every two weeks for 7.5 months.

NetCredit offers lines of credit and installment loans at rates up to 99.99% APR both in states that allow those high rates and in the vast majority of states that do not. In the latter case, NetCredit operates through a rent-a-bank scheme using one of two state-chartered banks, either Republic Bank and Trust Company of Kentucky or Capital Community Bank of Utah.

For NetCredit's installment loans, Enova discloses an APR range of 34.99% to 99.99%.<sup>6</sup> For NetCredit's lines of credit, instead of charging and disclosing a transparent APR, it offers completely opaque and deceptive pricing with an initial cash advance fee of 10% of the advance plus a "Statement Balance Fee" at the end of each biweekly or monthly billing cycle.<sup>7</sup> The lender's website does not disclose how this fee is calculated, except to say that it "will vary based on your Billing Cycle (date determined by your billing frequency), your credit worthiness at the time of your application, the creditor to which your application is assigned, and your Cash Advance balance at the end of your billing cycle."<sup>8</sup>

This description gives a borrower no usable information about how much the charge will be. Moreover, without better information about the amount of the fee, even a consumer law expert cannot calculate the APR. However, NetCredit's website provides an example of a line of credit that gives some indication of the magnitude of the fees it charges: a \$1,000 cash advance in which the borrower is charged a \$50 "Statement Balance Fee" as part of his biweekly payment. (The other component of the biweekly payment is 2.5% of the balance). For a \$1,000 cash advance, the APR is likely well over 100%.

## 2. Enova's Risky, Unsafe and Unsound Lending

Appropriate underwriting for ability to repay is a core requirement of safe, sound and responsible lending.<sup>9</sup> Yet an analysis of Enova's public filings by The Pew Charitable Trusts has shown that Enova has shockingly high annualized net charge-off rates over 50%.<sup>10</sup> Charge-off rates at that level show per se unsafe and unsound practices and should not be allowed for a national bank. It is hard to imagine that there is a single national bank today that has charge-off rates that come anywhere close to that level.

Enova targets borrowers with bad credit.<sup>11</sup> Enova's business model is clearly not based on making affordable, sustainable loans the borrower can repay. Trapping borrowers in debt through automated repayments and frequent refinancing rather than on-time payments is the basis of its profit model. Enova can make a profit as long as it receives payments for a period of time even if

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<sup>6</sup> See, e.g., <https://www.netcredit.com/rates-and-terms/alaska> (last visited 2/16/2026) (select "Personal Loan").

<sup>7</sup> See *id.* (select "Line of Credit").

<sup>8</sup> *Id.* (select "Lines of Credit").

<sup>9</sup> National Consumer Law Center, *Federal Ability-To-Repay Requirements for Small Dollar Loans* (Nov. 1, 2021), <https://www.nclc.org/resources/federal-ability-to-repay-requirements-for-small-dollar-loans/>.

<sup>10</sup> See Alex Horowitz & Chase Hatchett, Pew Charitable Trusts, *Rent-a-Bank Payday Lenders' New Filings Show 55% Average Loss Rates* (Jan 9, 2023), <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/01/09/rent-a-bank-payday-lenders-new-filings-show-55-average-loss-rates>. The latest report for which Enova reports a full year's worth of data appears to be consistent with this study: Enova had a charge-off rate of 52% (\$785.317 million in net charge-offs on average consumer loans outstanding of \$1.51 billion). See Enova, *Annual Report, Year in Review (2024)* at 77 ("Balance at beginning of period" and "Balance at end of period"), <https://ir.enova.com/annual-report-and-proxy-statement>.

<sup>11</sup> NetCredit, *Bad Credit Loans. See if you're eligible for a loan that works for you* (last visited 2/18/2026), <https://www.netcredit.com/bad-credit-loans>.

the borrower eventually defaults; in fact, some high-cost lenders even prefer borrowers who default over those who have the capacity to repay and may repay early.<sup>12</sup> A recent report on another high-cost lender similar to Enova shows how refinancing can disguise defaults and perpetuate unaffordable lending while having staggering default rates.<sup>13</sup> This type of high-cost lender often targets struggling consumers with marketing aimed at those with bad credit.

High-cost lending with high charge-offs also results in a significant compliance risk of violating consumer protection and other laws. As we detailed at length in our 2024 comments on the risks of bank-fintech partnerships,<sup>14</sup> high-cost loans have a high risk of violating laws including those governing:

- Unfair, deceptive, abusive or unconscionable practices
- Credit reporting
- Fair lending
- Electronic Fund Transfers Act and other payment requirements
- E-Sign Act and statutes requiring written disclosures and records
- Military Lending Act and Servicemembers Civil Relief Act
- Privacy and data security
- Know-your-customer laws
- Community Reinvestment Act

Lending programs like Enova's, and especially the lines of credit that have incredibly opaque and deceptive pricing, can violate laws against unfair, deceptive or abusive practices in a number of ways,<sup>15</sup> including through:

- Deception and taking unreasonable advantage of consumers' lack of understanding
- Lending without regard to ability to repay
- Refinancing and reborrowing practices that mask defaults, extend unaffordable loans and accelerate costs
- Unconscionable pricing

To the extent that Enova Bank is used to facilitate rent-a-bank lending by other predatory lenders, lending through third parties poses another layer of high risk.<sup>16</sup>

It is not surprising that Enova's lending programs have generated numerous complaints to the Consumer Financial Protection Bureau (CFPB)--over 1,000 in the past three years. Complaints have accelerated in the past three years:<sup>17</sup>

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<sup>12</sup> National Consumer Law Center, *Misaligned Incentives: Why High-Rate Installment Lenders Want Borrowers Who Will Default* (July 2016), <https://www.nclc.org/resources/misaligned-incentives-why-high-rate-installment-lenders-want-borrowers-who-will-default/>; Proposed Statement of Decision After Court Trial, *De La Torre v. CashCall*, No. 19CIV01235 (Sup. Ct. Cal. Nov. 17, 2022).

<sup>13</sup> Center for Responsible Lending, *Lost Opportunities: How OppFi Traps Borrowers in Unaffordable Debt* (Jan. 27, 2026), <https://www.responsiblelending.org/research-publication/lost-opportunities-how-oppfi-traps-borrowers-unaffordable-debt>.

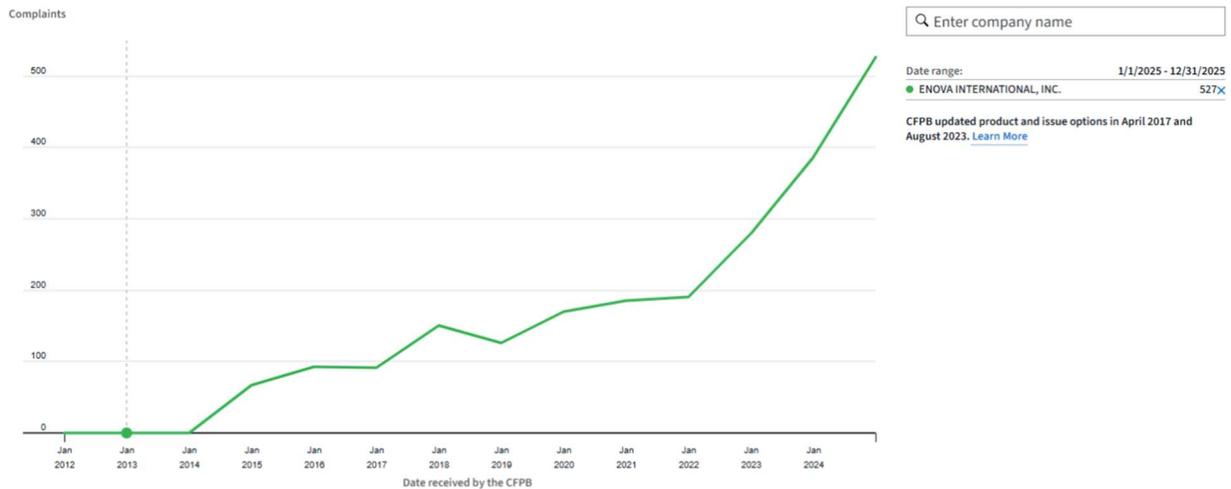
<sup>14</sup> 2024 NCLC Bank-Fintech Risks [Comments](#), *supra*, at 42-62.

<sup>15</sup> *See id.* at 46-55.

<sup>16</sup> *See id.* at 18-37, 43-46.

<sup>17</sup> Complaints against Enova International received by the CFPB Dec. 1, 2011 to Feb. 16, 2025, [https://www.consumerfinance.gov/data-research/consumer-complaints/search/?chartType=line&company=ENOVA%20INTERNATIONAL%2C%20INC.&dateInterval=Year&dateRange=All&date\\_received\\_max=2026-02-16&date\\_received\\_min=2011-12-01&has\\_narrative=true&lens=Company&searchField=all&subLens=product&tab=Trends](https://www.consumerfinance.gov/data-research/consumer-complaints/search/?chartType=line&company=ENOVA%20INTERNATIONAL%2C%20INC.&dateInterval=Year&dateRange=All&date_received_max=2026-02-16&date_received_min=2011-12-01&has_narrative=true&lens=Company&searchField=all&subLens=product&tab=Trends).

## Complaints Regarding Enova Received by CFPB



In 2023, we detailed many of the complaints against Enova in connection with the Community Reinvestment Act examination of Enova’s partner bank.<sup>18</sup> Complaints about lending without ability to repay, deceptive practices, and other practices have continued unabated. The top complaints against Enova are ones that signal irresponsible lending and deceptive practices:

- Charged fees or interest you didn’t expect
- Struggling to pay your loan
- Attempts to collect debt not owed
- Incorrect information on your credit report
- Improper use of your report<sup>19</sup>

It is clear from the complaints that many borrowers feel deceived about the interest rates, cannot afford to pay off their loans, and are frustrated that their payments go almost entirely to interest and are not reducing the principal. A sampling of recent complaints against Enova are attached as Attachment A. Here are just a few of the more recent complaints:

### ***Virginia borrower:***

I am filing a complaint against NetCredit and its banking partner ... Bank regarding their Open-End Line of Credit, which I believe is structured in a predatory and deceptive manner, resulting in excessive and unaffordable interest payments.

Since the beginning of this year alone, I have paid approximately {\$1600.00} in fees and interest, and I have paid even more in prior years. This credit product was marketed as a

<sup>18</sup> See Coalition Comments to FDIC Regarding Community Reinvestment Act exam of Republic Bank & Trust of Kentucky at 9-14 [FDIC Should Downgrade Three Banks Engaged in Predatory “Rent-a-Bank” Lending](https://www.nclc.org/fdic-should-downgrade-three-banks-engaged-in-predatory-rent-a-bank-lending/) (Mar. 30, 2023), <https://www.nclc.org/fdic-should-downgrade-three-banks-engaged-in-predatory-rent-a-bank-lending/> (Republic Bank CRA Examination Comments).

<sup>19</sup> See [https://www.consumerfinance.gov/data-research/consumer-complaints/search/?chartType=line&company=ENOVA%20INTERNATIONAL%2C%20INC.&dateInterval=Year&dateRange=3y&date%20received%20max=2026-02-16&date%20received%20min=2023-02-16&has\\_narrative=true&lens=Product&searchField=all&subLens=issue&tab=Trends](https://www.consumerfinance.gov/data-research/consumer-complaints/search/?chartType=line&company=ENOVA%20INTERNATIONAL%2C%20INC.&dateInterval=Year&dateRange=3y&date%20received%20max=2026-02-16&date%20received%20min=2023-02-16&has_narrative=true&lens=Product&searchField=all&subLens=issue&tab=Trends).

flexible line of credit, but in reality, it traps borrowers into a cycle of debt through a fee structure that functions as an outrageously high and unregulated APR.

This is not a traditional interest-bearing loan. Instead, NetCredit charges a Statement Balance Fee every biweekly period based on the size of the outstanding balance. Here is how it works, according to their contract: For example, if your balance is {\$2500.00} to {\$2600.00}, they charge a {\$130.00} fee every XXXX weeks.

That means in a year ( XXXX biweekly periods ), a borrower at that level would pay {\$3300.00} in fees alone which exceeds the original loan amount.

This fee structure mimics a triple-digit APR in practice but skirts interest rate limits by categorizing the cost as fees instead of interest.

The contract even includes a HIGH-COST CREDIT DISCLOSURE admitting that this is an expensive form of credit not suited for long-term use. Despite this, there are no meaningful safeguards in place to stop borrowers from accumulating year after year of fees without materially reducing the principal.

I believe this structure is intentionally deceptive, excessively burdensome, and in violation of consumer protection principles. While they claim compliance by using a XXXX bank ( XXXX Bank ), I live in XXXX, where excessive interest and disguised interest charges are prohibited. This appears to be another example of a rent-a-bank scheme, where lenders use a bank charter in another state to bypass local consumer protections.<sup>20</sup>

***Kentucky borrower:***

I took out a personal loan from ... ( Enova International ) in 2022. The original loan amount was approximately {\$8100.00}. Despite making numerous payments totaling well over the original balance, my current balance is now listed as \$ XXXXXXXX more than double the original loan.

The terms of this loan were extremely predatory, and the interest and fees have grown the balance to an unmanageable and unreasonable amount. XXXX has refused to work with me to reduce or settle the debt despite repeated attempts on my part to negotiate a fair resolution.

The company is not willing to offer any reasonable payment plan, interest freeze, or hardship consideration, and continues to report missed payments and a growing balance to the credit bureaus. My payment history shows only 8 % on-time payments, but this is due to the impossible terms and unaffordable monthly payments that have done nothing to reduce the principal....<sup>21</sup>

***Missouri borrower:***

... I am filing a formal complaint against NetCredit regarding a second personal loan they issued to me under unaffordable and predatory terms. NetCredit approved me for a loan of {\$2900.00} despite only modestly improved income of {\$3900.00} per month. The required payment of {\$190.00} every two weeks represents a significant burden on my budget and has caused financial strain.

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<sup>20</sup> Complaint # 13476563 (May 12, 2025).

<sup>21</sup> Complaint # 13084771 (Apr. 20, 2025).

Despite making regular payments, the loan has now ballooned to {\$8100.00}, nearly three times what I originally borrowed. This is clear evidence of a deceptive and exploitative lending structure that is designed to trap borrowers in long-term debt. NetCredit again failed to responsibly evaluate my ability to repay, and approved this loan based on income alone without accounting for my existing obligations or financial situation.

Additionally, this loan has negatively affected my credit standing and overall financial health, further preventing access to fair, affordable credit options.<sup>22</sup>

***Florida borrower:***

I opened a personal line of credit with NetCredit ... and have paid over {\$1600.00} in fees this year alone significantly more than I initially borrowed. The account is advertised as interest-free, but the fees function like extremely high interest and have become unaffordable.

Every month I'm charged a \$ XXXX statement balance fee, which prevents me from making progress on the balance and creates a cycle of debt. I contacted NetCredit to ask for a hardship plan, settlement, or payment reduction. They stated that no hardship or settlement options exist for this product, even though I'm facing financial hardship and can no longer afford to continue payments under this structure.

I believe the fee structure is excessive and predatory, especially as the fees are charged monthly regardless of my payment behavior. The lack of flexibility or hardship relief is concerning and has caused significant financial distress.<sup>23</sup>

The evidence is clear that Enova's lending programs absolutely should not be permitted by a national bank.

### **3. The OCC Has Historically Kept National Banks Out of Predatory 100% APR Loans and It Should Not Change Course Now**

Predatory lenders have long coveted the privileges of bank charters. For decades, payday lenders and high-cost installment lenders have attempted to evade state interest rate limits by using rent-a-bank schemes to launder their loans through banks.

While some payday lenders originally partnered with national banks, the OCC (and, years later, the FDIC) shut them down. Predatory lenders then shifted to rent-a-bank installment loans, but the banks enabling those loans have been almost exclusively state-chartered. The National Consumer Law Center has a "High-Cost Rent-a-Bank Loan Watch List" that tracks rent-a-bank schemes charging 100% APR or more.<sup>24</sup> The only banks on that list are state-chartered banks.

To our knowledge, since national banks exited the rent-a-bank payday loan business over two decades ago, only two OCC-regulated banks briefly facilitated high-cost rent-a-bank lending. Axos Bank enabled World Business Lenders to make egregiously predatory and deceptive small business loans up to 268% APR.<sup>25</sup> Stride Bank was involved with a pilot program with CURO offering 179% APR installment loans. But both lending programs ended, apparently due to

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<sup>22</sup> Complaint # 13476201 (May 13, 2025).

<sup>23</sup> Complaint # 14620745 (July 13, 2025).

<sup>24</sup> National Consumer Law Center, [High-Cost Rent-a-Bank Loan Watch List](https://www.nclc.org/resources/high-cost-rent-a-bank-loan-watch-list/) (Sep. 26, 2024), <https://www.nclc.org/resources/high-cost-rent-a-bank-loan-watch-list/>.

<sup>25</sup> <https://consumerfed.org/wp-content/uploads/2021/04/Small-Business-RAB-Brief-FINAL-1.pdf>.

appropriate oversight from the OCC. While we are aware of, and concerned about, national banks that have partnerships with nonbank lenders offering loans above state rate caps but below 36%,<sup>26</sup> those banks are not engaged in the kind of predatory lending that Enova is.

Even while proposing a rule – overturned by Congress on a bipartisan basis – that we feared would permit nonbanks like Enova to hide behind a national bank charter, the OCC emphasized that national banks may not engage in unaffordable lending:

[T]he OCC requires banks engaged in lending to take into account the borrower’s ability to repay the loan according to its terms. In the OCC’s experience, a departure from fundamental principles of loan underwriting generally forms the basis of abusive lending: Lending without a determination that a borrower can reasonably be expected to repay the loan from resources other than the collateral securing the loan, and relying instead on the foreclosure value of the borrower’s collateral to recover principal, interest, and fees.<sup>27</sup>

The OCC noted that potentially unlawful practices include those that target prospective borrowers who cannot afford credit on the terms being offered, provide inadequate disclosures of the true costs and risks of transactions, involve loans with high fees and frequent renewals, or constitute loan “flipping” (frequent refinancings that result in little or no economic benefit to the borrower that are undertaken with the primary or sole objective of generating additional fees).<sup>28</sup> The OCC stated that policies and procedures should be designed to ensure clear and transparent disclosure of the terms of the loan, including relative costs, risks, and benefits of the loan transaction, to mitigate the risk that a transaction could be unfair or deceptive.<sup>29</sup>

Similarly, the Interagency Guidance for Responsible Small-Dollar Loans approved during President Trump’s first term includes guidance principles to clarify regulatory expectations for responsible small-dollar loans. These principles include:

- A high percentage of customers successfully repaying their small dollar loans in accordance with original loan terms, which is a key indicator of affordability, eligibility, and appropriate underwriting;
- Repayment terms, pricing, and safeguards that minimize adverse customer outcomes, including cycles of debt due to rollovers or reborrowing; and
- Repayment outcomes and program structures that enhance a borrower’s financial capabilities.<sup>30</sup>

Enova’s lending programs do not meet the laws and standards expected of national banks and the OCC should therefore deny its application. Enova targets borrowers who cannot afford the credit on the terms being offered, provides deceptive disclosures on the true cost and risks and, almost certainly, with a history of a charge-off rate over 50%,<sup>31</sup> has a very low percentage of

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<sup>26</sup> While appropriate for a small loan, 36% is a very high rate for large loans and can be quite unaffordable. See NCLC, [Larger Loans Need Lower Rates: A 50-State Survey of the APRs Allowed for a \\$10,000 Loan](https://www.nclc.org/resources/larger-loans-need-lower-rates-a-50-state-survey-of-the-aprs-allowed-for-a-10000-loan/) (Mar. 6, 2024), <https://www.nclc.org/resources/larger-loans-need-lower-rates-a-50-state-survey-of-the-aprs-allowed-for-a-10000-loan/>.

<sup>27</sup> 85 Fed. Reg. 68,742, 68,746 (Oct. 30, 2020) (citations omitted).

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> Board of Governors of the Federal Reserve System, FDIC, National Credit Union Administration, Office of the Comptroller of the Currency, Interagency Lending Principles for Offering Responsible Small-Dollar Loans (May 2020), <https://www.fdic.gov/news/press-releases/2020/pr20061a.pdf>.

<sup>31</sup> See § 2, *supra*.

customers successfully repay their loans in accordance with the original terms. Instead, they either default or refinance, and likely many of those whose loans are refinanced eventually default.

These are not minor problems around the edges that can be fixed with OCC oversight. They are a feature, not a bug, of Enova's high-cost lending and cannot be reformed without completely reinventing Enova's business model. The OCC should simply not charter a national bank that does not live up to national bank standards. These practices would not be tolerated in traditional bank lending and should not be tolerated in a new national bank.

#### **4. Enova Has a History of Legal Violations**

It is also noteworthy that Enova also has a history of legal violations. In 2019, during the first Administration of President Trump, the CFPB required Enova to pay a \$3.2 million civil money penalty for debiting consumers' bank accounts without authorization.<sup>32</sup> The consent order, among other things, barred Enova from making or initiating electronic fund transfers without valid authorization.

But Enova violated that consent order. In 2023, the CFPB fined Enova \$15 million for withdrawing funds from consumer accounts without consent, including repeat violations involving unauthorized changes to payment authorizations purchased from lead generators.<sup>33</sup>

This is just one more piece of evidence that Enova's lending practices are too risky and too predatory for a national bank.

\* \* \*

A national bank charter carries with it enormous privileges and also high responsibilities. It is wholly irresponsible for the OCC to grant an application to charter a bank dedicated to offering predatory, unaffordable 100% to 300% APR loans with charge-offs over 50%. Doing so could carry enormous consequences that ultimately lead to the weakening of the national bank charter and harm national banks as a whole. Enova's application should be denied.

Thank you for considering these comments.

Yours truly,



Lauren Saunders  
Associate Director  
National Consumer Law Center  
(on behalf of its low-income clients)

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<sup>32</sup> Consumer Financial Protection Bureau, Press Release, [Consumer Financial Protection Bureau Reaches Settlement with Enova International, Inc.](https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-reaches-settlement-enova-international-inc/) (Jan. 25, 2019), <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-reaches-settlement-enova-international-inc/>.

<sup>33</sup> Consumer Financial Protection Bureau, Press Release, [CFPB Fines Repeat Offender Enova \\$15 Million for Violating Order, Deceiving Customers, and Withdrawing Funds Without Consent](https://www.consumerfinance.gov/about-us/newsroom/cfpb-fines-repeat-offender-enova-15-million-for-violating-order-deceiving-customers-and-withdrawing-funds-without-consent/) (Nov. 15, 2023), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-fines-repeat-offender-enova-15-million-for-violating-order-deceiving-customers-and-withdrawing-funds-without-consent/>.

## **Attachment A**

### **Complaints Filed with the Consumer Financial Protection Bureau Against Enova International**

**February 17, 2025-February 17, 2026**

**Product: Personal Line of Credit, Installment Loan, Payday Loan**

The attached complaints are a subset of the 442 complaints filed with the CFPB against Enova International during a one-year period from February 17, 2025, to February 17, 2026. The complaints on the following pages are only those in which the consumer identified the Product/sub-product as “Personal line of credit,” “Installment loan” or “Payday loan.” These complaints do not include those where the consumer identified the issue as a different type of loan or as debt collection, credit reporting, credit card, money transfer.

Date received	Issue	Consumer complaint narrative	State	Tags
3/12/2025	Problem with additional add-on products or services	I've pid all my credit cards and I'm trying to get a line of credit from XXXX signed in it was some else.i got in touch with them and they are ignoring me... I've tried time after time to let them know... they will not even reply bck, .. either they are in on it because I have XXXX emails and the one I use had the other people on it ... .. I've never had you people help me at all ... I should have been eligible for XXXX lawsuits against XXXX XXXX with how theyve done me,, I don't expect anything to be done	TN	None
10/27/2025	Charged fees or interest you didn't expect	<p>I, XXXX XXXX XXXX, am submitting this complaint regarding a high-interest line of credit obtained from CashNetUSA, which I believe constitutes an unconscionable credit agreement under Utah Code 70C-7-106 and violates Utahs consumer protection principles.</p> <p>Around XXXXXXXX XXXX, I opened a CashNetUSA line of credit with a credit limit of approximately {\$3000.00}. The account carries an annual percentage rate ( APR ) of approximately 299 %, along with substantial transaction fees and daily finance charges.</p> <p>Since activating the line of credit, I have made payments totaling over {\$4000.00}, which already exceeds the amount originally borrowed. Despite this, CashNetUSA continues to demand additional payments that are almost entirely composed of accumulated interest and fees.</p> <p>I believe these terms are predatory, unfair, and unconscionable, and I request that the account be reviewed for appropriate relief.</p> <p>Basis for Complaint : 1. Unconscionable Contract ( Utah Code 70C-7-106 ) : A 299 % APR on a revolving credit account is excessively high, oppressive, and one-sided, creating a gross imbalance between lender and borrower.</p> <p>2. Violation of Fair Lending Principles : CashNetUSAs line-of-credit structure results in ongoing debt even after borrowers repay amounts exceeding the initial principal, effectively trapping consumers in perpetual repayment.</p> <p>3. Debt Satisfied Through Overpayment : I have already repaid more than {\$4000.00} in total exceeding the original credit amount yet CashNetUSA continues to demand further payment.</p> <p>4. Ongoing Consumer Harm : The continued accrual of interest and collection activity causes financial hardship and emotional stress.</p>	UT	None
6/1/2025	Struggling to pay your loan	Loan XXXX Hello. I have had this line of credit for quite some time. I have paid back well beyond ( almost 250 % ) of what I have owed. I have reached out multiple times via chat and email and recieve no help. Due to my financial circumstances I can not afford phone service therefore I can not call. I need help from a supervisor. I have had XXXX family members pass away this year and my job got moved overseas and i got laid off. I have sent XXXX or XXXX large payments via online which was all the money I had to my name. Because of interest, it barely touched the balance on this account. Now I am XXXX past due with a balance of XXXX. I am asking to either waive the balance and close my account in good faith and fairness due to you have already made a lot of money off of me, or to let me pay the XXXX past due in installments and then close my account. I am beyond financially burdened and at this point I am going without food just to pay something to you to avoid being sued or my loan being sold. Please help me. I am desperately begging you. And again, I CAN NOT CALL.	TN	None
8/19/2025	Problem when making payments	I recently lost my wallet with all my information in there in somebody is using my info to get a loan in my name that I didnt get & they have hacked my bank accounts to And I wanting to know how could I go about being scammed	SC	None
4/15/2025	Struggling to pay your loan	I tried to pay on this loan and the interest keeps on growing and growing, and the interest of the APR is so high I can not pay it i was denied my credit in this consumer transaction they ask for my social security number which i gave to them i wanted to access a portion of my unlimited credit they did not give me a list of all the factors that were involved in this consumer transaction and i was denied my own credit when they denied me for a loan of {\$600.00}	TN	None
9/9/2025	Problem with cash advance	I am filing a complaint against NetCredit and its banking partner XXXX XXXXXXXXXX XXXX XXXX XXXX XXXX Bank regarding their Open-End Line of Credit, which I believe is structured in a predatory and deceptive manner, resulting in excessive and unaffordable interest payments.	TX	None
5/12/2025	Struggling to pay your loan	<p>Since the beginning of this year alone, I have paid approximately {\$1600.00} in fees and interest, and I have paid even more in prior years. This credit product was marketed as a flexible line of credit, but in reality, it traps borrowers into a cycle of debt through a fee structure that functions as an outrageously high and unregulated APR.</p> <p>This is not a traditional interest-bearing loan. Instead, NetCredit charges a Statement Balance Fee every biweekly period based on the size of the outstanding balance. Here is how it works, according to their contract : For example, if your balance is {\$2500.00} to {\$2600.00}, they charge a {\$130.00} fee every XXXX weeks.</p> <p>That means in a year ( XXXX biweekly periods ), a borrower at that level would pay {\$3300.00} in fees alonewhich exceeds the original loan amount.</p> <p>This fee structure mimics a triple-digit APR in practice but skirts interest rate limits by categorizing the cost as fees instead of interest.</p> <p>The contract even includes a HIGH COST CREDIT DISCLOSURE admitting that this is an expensive form of credit not suited for long-term use. Despite this, there are no meaningful safeguards in place to stop borrowers from accumulating year after year of fees without materially reducing the principal.</p> <p>I believe this structure is intentionally deceptive, excessively burdensome, and in violation of consumer protection principles. While they claim compliance by using a XXXX bank ( XXXX Bank ), I live in XXXX, where excessive interest and disguised interest charges are prohibited. This appears to be another example of a rent-a-bank scheme, where lenders use a bank charter in another state to bypass local consumer protections.</p>	VA	None
10/15/2025	Charged fees or interest you didn't expect	I took out an installment loan from XXXX in XX/XX/year> for {\$8800.00}. The stated XXXX was 57.75 %, which I did not fully understand in terms of real long-term cost. I have consistently made payments of {\$420.00} per month for over a year and have already paid more than {\$6300.00}, yet my current balance is still {\$8200.00}. Very little of my payments have gone toward principal. The loan is structured in a way that keeps borrowers trapped despite regular payments. I believe the terms are unfair and predatory, and I am requesting assistance in reducing the remaining interest or negotiating a reasonable payoff.	GA	Service-Member

11/2/2025	Incorrect information on your report	The debtor says I owe them when I have paid them off.	VA	Older American, Service-Member
4/11/2025	Struggling to pay your loan	Fell behind on some of my payments. I told them I would like to not automatically take money out of my account because I was switching banks to a new one. They continued to take money from the account and over drafted the checking account to the point I lost access to my own money and the bank would not give it back. I called the lending company and they said I needed to get the bank approval to XXXX them. So I called the bank and they said no such thing. The company was supposed to honor my request and accept the new information for my new bank I was trying to set up. I fell behind and requested a payment plan option to catch up. I didn't receive it like they said they send, and they sent my account to collections.	SC	None
12/16/2025	Charged fees or interest you didn't expect	The interest rate is 64 % interest and only {\$20.00} a month is going to the principle payments are {\$350.00}. Is this legal? Would like to see if the payments can stay the same or lower but more of it to go toward the principal. I was advised by 2 lending bank companies that this is illegal and price gauging. Any assistance in this matter would be great.	HI	None
9/4/2025	Struggling to pay your loan	Im have different loan company calling me to make payment on a loan I did not have with them .. my information is in the market place because of the loans	FL	None
4/24/2025	Charged fees or interest you didn't expect	I got this loan back in 2021. As a single mother I fell into hardship. Stopped making the payments. I joined a debt consolidation program. XXXX was not included for some reason. I reached out to XXXX for ways to pay but come to find out their apr is 64 %. That violates the usury laws. They are predatory lending. Interest still going up. They were notified by debt consolidation company that i was going through hardtimes and they didn't care nor stopped the loan for them to try and settle.	FL	None
4/30/2025	Charged fees or interest you didn't expect	I received a line of credit from NetCredit that included recurring " statement balance fees " totaling hundreds of dollars over time, in addition to high interest charges. I attempted to review and download my full loan contract for clarification, but it was not available in PDF format and difficult to access or save. I requested clearer documentation and explanation of the charges, but no adequate response or downloadable contract was provided. I am concerned these fees are excessive, not clearly disclosed, and may violate fair lending standards.	NJ	None
		I paid my loan off in full today, I called 10 times to remedy the situation and they all refuse to transfer me to a supervisor or any other department and they all just hang up on me.		
		I made my final loan payment to XXXX on XX/XX/year>, and my bank confirms that the funds were successfully debited and sent to XXXX. Despite this, XXXX claims they did not receive the payment and continues to add interest and claim my account is unpaid. I have provided proof from my bank including a transaction screenshot and confirmation of successful processing showing that the funds were withdrawn and not returned. They are refusing to apply the payment and stop interest from accumulating.		
		In addition, XXXX has falsely documented in my account that I threatened legal action, which I did not. I exercised my right to dispute the loan and said I would escalate the matter to the CFPB not take legal action ( yet ). Their internal system now labels my account as a legal case based on this false claim, and they assigned a case number. This is misleading, retaliatory, and appears to be an attempt to discredit or suppress my valid dispute.		
9/11/2025	Problem with the payoff process at the end of the loan	I am requesting CFPB assistance to : Require XXXX to apply the payment properly and stop all interest and fees related to this error Force them to correct their internal record falsely labeling me as having made a legal threat Ensure they do not retaliate further for filing a complaint or disputing a balance I can provide full documentation, including bank statements, screenshots, and email correspondence showing my attempts to resolve this.	TX	None
7/1/2025	Problem with cash advance	I asked why the interest is so high and why did they add more money on the card to get without even asking me. I didn't agree to that.	SC	None
		I am writing to formally dispute and object to the predatory practices I have experienced in connection with CashNetUSA. Specifically, I have identified the following issues : Excessive fees not disclosed in the original agreement, Misleading terms presented as standard, interest rates far above legal limits, and unfair collection tactics. On XX/XX/year> ; CashNetUSA took {\$490.00} out of my account. There was no payment plan and it was an unauthorized withdrawal from my account. This has led to considerable stress and distruprtion. I contacted them via email and no one has ever gotten back to me via email.		
		These practices are not only unfair but may also constitute violations of Truth in Lending Act, Fair Debt Collection Practices Act, and state consumer protection laws. I request the following actions be taken immediately : A full investigation into this matter. Removal of the unfair charges/terms. Written confirmation within 30 days outlining how this issue will be resolved. If this matter is not addressed promptly, I am prepared to escalate my complaint and seeking additional remedies available under the law.		
9/24/2025	Charged fees or interest you didn't expect	Please treat this as a formal dispute and cease any further unfair practices related to my account.	SC	None
11/19/2025	Getting a line of credit	I applied for a loan and got approval. Sent my paystubs through the website and it gave me problems. Call them to inform of the situation and she was helpful. Then wanted my whole social number for verification. Now I been declined cause the verification the representative read to me over the phone was not approved. Call them back once again and still not able to help me out since the identity wasn't verified. Even though they got a copy of my paystubs and driver license front and back. Asked to escalate the Call. The representative had to put in a ticket and wasn't offered to speak to someone now. Told me it will take a few days to get a call back. Great.. Needing this loan to pay my rent and they didn't care. This is the worst customer service ever.	NV	None
4/1/2025	Charged fees or interest you didn't expect	I took out a {\$5100.00} installment loan from XXXX in XX/XX/year> and was shocked to learn the total repayment would exceed {\$15000.00} with over {\$10000.00} in finance charges. This interest rate and loan structure are predatory and exploitative. Despite making consistent payments, very little has gone toward the principal, and the balance remains unreasonably high. Im requesting assistance in negotiating a fair settlement and asking that XXXX delete the negative credit reporting and mark the account as paid in full. This loan violates fair lending standards, and I believe it should be reviewed for predatory practices.	OH	Service-Member

11/10/2025	Charged fees or interest you didn't expect	<p>I called the company, CashNet USA, on XX/XX/year&gt; to attempt to set up payment arrangements. I have XXXX payments of approximately {\$350.00} coming out twice monthly, each pay day. I had to push XXXX due to not being able to, so in the month of XXXX I have XXXX payments of approximately {\$350.00} coming out. Totaling over {\$1000.00} which is half of my monthly income. They stated they could not extend or help with payment arrangements and that I would have to pay it, or it would go to collections. They also have no way to simply remove your bank account or change it with ease. The APR on this is 299 %.</p>	AL	None
6/10/2025	Charged fees or interest you didn't expect	<p>I am a Texas resident. I obtained a personal loan from XXXX that was originated by XXXXXXXX XXXX XXXX XXXX XXXXXXXX, but every aspect of the loan marketing, underwriting, servicing, payment collection, credit reporting is handled by XXXX.</p> <p>True-lender &amp; licensing issue Because XXXX bears the predominant economic interest, it is the true lender and must hold a Texas regulated-lender license ( 342.101 ). It does not.</p> <p>Usury Texas caps interest at 10 % ( XXXX ). My TILA disclosure shows APR of 64.97 %, far above the cap. Under XXXX all interest is forfeited ; treble damages apply.</p> <p>Relief requested 1. Waive all illegal interest/fees and accept {\$450.00} payoff or zero balance.</p> <p>2. Delete the tradeline from XXXX XXXX XXXX XXXX XXXX.</p> <p>3. Provide proof within 15 days that the banknot XXXX 50 % of credit risk ; if proof is not provided, treat XXXX as the lender. Attachments : contract excerpts, fee table, usury demand letter.</p>	TX	None
10/28/2025	Charged fees or interest you didn't expect	<p>I live in the state of XXXX. I applied online for a personal loan. The interest rate is set at 299 %. I believe it was to 29.9 %. I did research and is my understanding there is a cap that can be charged for living in the state of XXXX.</p>	KS	None
6/3/2025	Charged fees or interest you didn't expect	<p>I took out a personal loan from XXXXXXXX XXXX XXXX XXXXXX/XX/XXXX while residing in XXXX. On XX/XX/XXXX, I relocated to XXXX XXXXXXXX XXXX and continued making payments on the loan. XXXX has been charging extremely high interest based on my payment history, the effective APR appears to be between 50 % and 150 %. Despite making regular monthly payments, the principal has barely decreased.</p> <p>I contacted XXXX to request hardship assistance or to negotiate a more manageable repayment plan due to financial strain. They declined to offer any help or adjustments, even though I made clear my current financial difficulties.</p> <p>Their practices seem predatory, especially toward low-income individuals, by structuring loans in a way that prioritizes interest and fees over principal reduction. This feels unethical and possibly unlawful. I have learned they are currently involved in lawsuits for similar behavior in other states, which raises further concern.</p> <p>Im filing this complaint so that others are aware of these practices, and I hope the CFPB investigates XXXX lending model to protect consumers.</p> <p>XXXX XXXX XXXX XXXX CA XXXX XXXX XXXX XXXX Complaint Against XXXX XXXX XXXX XXXX for Deceptive Lending Practices To Whom It May Concern, I am filing a formal complaint against XXXX XXXX XXXX XXXX, which is offering what it claims to be a " Business Line of Credit " but appears to be structured as a high-cost predatory loan that may violate California lending laws and federal consumer protection laws.</p> <p>I contacted the lender to ask for better terms or a modification and I was refused.</p> <p>Upon reviewing their loan disclosure document, I have identified multiple deceptive and potentially unlawful elements : 1. Excessively High APR ( Predatory Lending ) o The disclosed Annual Percentage Rate ( APR ) is 73.18 %, with an interest rate of 70.0 %.</p> <p>o This is exorbitantly high compared to standard business lines of credit, which typically range from 10-30 % APR.</p> <p>o The finance charge alone is {\$39000.00} on a {\$53000.00} loan, which raises serious concerns about unfair lending practices.</p> <p>2. Misrepresentation as a " Business Line of Credit " o Traditional lines of credit allow flexible repayments and charge interest only on the amount borrowed.</p> <p>o However, this product functions more like a term loan with fixed high-cost payments, misleading borrowers into believing they are receiving a revolving credit facility.</p> <p>o The draw period is described as indefinite, yet the structure suggests a fixed-term 18-month repayment plan with large monthly payments ( {\$5100.00} ).</p> <p>3. Potential Violations of California &amp; Federal Lending Laws o Unfair and Deceptive Practices ( California Business &amp; Professions Code 17200 ) The product is advertised as a business line of credit, but the fixed payment structure and high fees resemble a merchant cash advance loan, which could mislead borrowers.</p>	IA	None
2/23/2025	Charged fees or interest you didn't expect	<p>3. Potential Violations of California &amp; Federal Lending Laws o Unfair and Deceptive Practices ( California Business &amp; Professions Code 17200 ) The product is advertised as a business line of credit, but the fixed payment structure and high fees resemble a merchant cash advance loan, which could mislead borrowers.</p>	None	None

		<p>I took out a personal loan from XXXX ( Enova International ) in 2022. The original loan amount was approximately {\$8100.00}. Despite making numerous payments totaling well over the original balance, my current balance is now listed as \$ XXXXXXXX more than double the original loan.</p> <p>The terms of this loan were extremely predatory, and the interest and fees have grown the balance to an unmanageable and unreasonable amount. XXXX has refused to work with me to reduce or settle the debt despite repeated attempts on my part to negotiate a fair resolution.</p> <p>The company is not willing to offer any reasonable payment plan, interest freeze, or hardship consideration, and continues to report missed payments and a growing balance to the credit bureaus. My payment history shows only 8 % on-time payments, but this is due to the impossible terms and unaffordable monthly payments that have done nothing to reduce the principal.</p> <p>I believe this loan is a clear example of predatory lending, and I am requesting an investigation into their lending and collection practices. I am also asking for assistance in having this account reviewed for potential removal, modification, or interest forgiveness due to the abusive terms and hardship it has caused.</p>		
4/20/2025	Problem with the payoff process at the end of the loan	<p>What resolution are you seeking?</p> <p>Fair settlement or modification of this loan Interest and fees review Cease negative credit reporting while under dispute Regulatory investigation of XXXX lending practices</p>	KY	None
2/21/2025	Getting a line of credit	<p>I'm trying to get an emergency personal loan and its denying me saying my SSN is suspicious and its not I answered all verifications and its me yet I cant get a loan cash advance or even open a XXXX. now I did do this to protect myself but its not letting MYSELF do anything please fix it I even took the id their off my experiane</p>	OK	None
		<p>I am submitting this complaint regarding a loan that was fraudulently opened in my name for an initial amount of {\$2900.00}, which has unjustifiably increased to {\$4000.00} after three months. I did not authorize or apply for this loan at any time.</p> <p>I discovered the fraud on XX/XX/XXXX. The police report confirming that I am a victim of identity theft was issued and provided on XX/XX/XXXX. I later filed formal disputes with the credit bureaus on XX/XX/XXXX. Despite submitting clear evidence, including the police report, the company improperly closed the case on XXXX XXXX only one day after receiving the documentation without conducting a proper or thorough investigation.</p> <p>Additionally, the company made false and unfounded accusations, claiming that this issue was the result of a supposed conflict with my spouse, with whom I have lived for more than 18 years and share accounts. This claim is not only incorrect but completely unrelated to the identity theft incident.</p> <p>On XX/XX/XXXX, I formally requested that the company review my case again, as their initial investigation was clearly insufficient. The company agreed to reopen the case ; however, once again, they closed it the next day without conducting a proper review and without considering the evidence provided. This shows a clear pattern of negligence and superficial handling of the investigation.</p> <p>Up to this point, I have completed every required step : I filed the police report, disputed the loan with the credit bureaus, provided all requested evidence, and formally requested that the investigation be reopened. However, the company has ignored official documentation, issued incorrect conclusions, and closed the case prematurely on two separate occasions.</p> <p>This situation has caused significant harm, including damage to my credit profile, emotional XXXX, and considerable time spent attempting to resolve an issue for which I am not responsible. I am requesting that the company be required to conduct a complete and fair investigation based on the evidence ; formally acknowledge the identity theft ; remove the fraudulent account from my credit reports ; and stop reporting any negative information related to this loan.</p>		
11/21/2025	Problem with additional add-on products or services	<p>I respectfully request the CFPBs intervention to ensure a proper review of this matter and to protect my rights as a consumer. The loan is at XXXX % interest which is illegal in the state of XXXX. I initially took the loan out of desperation but did not realize how predatory the loan was. I've been paying {\$130.00} since XXXX and its only paid {\$450.00} to the total loan amount of {\$2600.00}. I have payment sets up to pay until XX/XX/year&gt;.</p>	LA	None
9/19/2025	Struggling to pay your loan		NJ	None
10/24/2025	Problem with the payoff process at the end of the loan	<p>I spoke with an employee on the XXXX of XXXX and said I was sending a check by XXXX that would arrive in the XXXX to pay off my outstanding balance because their payments each month are just excessive. I knew my balance at the time was XXXX the check I sent was XXXX on Monday the payment sat at their XXXX XXXX XXXX I had tracking. On Tuesday the XXXX it was still sitting at their business and when I called both days was told the matter would be solved that day, it wasn't handled. Wednesday the XXXX it was still sitting and no one had settled my account mind you fees are being added daily, now the payoff is XXXX I called several times that day and told them I'm removing my approval for ACH and I was told the matter would be resolved no one called but I received emails. Finally on Thursday the XXXX of XXXX my account is credited but now I owe more fees only because they did not do their job I feel this is a crooked way of doing business</p>	SC	None
4/15/2025	Problem with additional add-on products or services	<p>When I first took the loan I was told my payments would be no higher than {\$210.00} a month and would go down from there. The loan is to be 10 % or {\$10.00} per every {\$100.00} borrowed. When I look at my account online it says my next payment is {\$310.00} I never agreed to anything over {\$210.00} per month. I've been trying for several months to get a call from a supervisor and have been unable to.</p>	AZ	None

		<p>I applied and obtain a line of credit from XXXX and signed a line of credit agreement with XXXX XXXX XXXX XXXXXXXX XXXX. for {\$3000.00}. On XX/XX/year&gt;, I obtained a cash advance of {\$1000.00}. On XX/XX/year&gt;, I obtained a cash advance of {\$1600.00}. My first payment was due and paid on XX/XX/year&gt;, with subsequent payments on XX/XX/year&gt;, XX/XX/year&gt;, and XX/XX/year&gt;. Despite having paid {\$850.00} thus far, I still owe {\$2600.00}. I contacted the lender via email earlier today and told them that I could not sustain this, i.e. paying exorbitant interest rates. I told them I did not understand the 10 % transaction fee when I took out the loan, and that i thought it was applied as one loan.</p> <p>I didn't understand that the XXXX draws made it be calculated differently. I told them I needed the terms to be renegotiated on this loan, and that i thought this interest rate, in Florida, was actually usury and violated the law. The Customer Support team replied "... your minimum payment is {\$5.00} for every {\$100.00} on the cash advance balance rounded up, plus 2.5 % of your cash advance balance. Unfortunately, we would not be able to reduce your minimum payment. I apologize for any confusion. " The problem is the exorbitant interest rates and fees, not the minimum payment, although I do need a smaller monthly payment. I then received a second email from XXXX regarding the repayment structure for my Line of Credit # XXXX stating that they would review the matter and contact me within 10 days. I believe the loan agreement violates Section 5.16.031, Florida Statutes, and is a usurious contract pursuant to Section 687.01 ( 1 ). Further XXXX failed to provide me with a Truth In Lending Act ( TILA ) Statement in violation of 12 CF § Part 1026 - Truth in Lending ( Regulation Z ), under TI</p> <p>LA, 15 USC 1601 et seq. title I of the Consumer Credit Protection Act.</p> <p>Neither XXXX nor Republic appear to be licensed by the OFT. I believe their loan to be unenforceable and uncollectable in Florida pursuant to Fla. Stat. Sec.</p>		
10/1/2025	Charged fees or interest you didn't expect	560.125 ( 1 ), and the loan should be cancelled and all my money refunded as they are operating as a payday lender. I believe this agreement violates the Federal Truth in Lending Act and is a deceptive and unfair trade practice pursuant to Fla. Stat. Sec. 501.201 and 501.233 .. XXXX is an unauthorized lender in the State of Florida .	FL	Older American
4/2/2025	Problem when making payments	XXXX \$ loan. They was supposed to only take payment every 2 weeks and refuse to now it's every week their transfer payments out of my bank account every week which put me in negative and fees I asked them and signed up for every two week payment the over charging me take twice the amount! I get harassment text and call daily with them!	MI	None
		<p>Loan Provider : NetCredit Loan Amount : {\$2900.00} Monthly Income at XXXX XXXX XXXX : {\$3900.00} Payment Schedule : {\$190.00} biweekly Outstanding Balance : {\$8100.00} I am filing a formal complaint against NetCredit regarding a second personal loan they issued to me under unaffordable and predatory terms. NetCredit approved me for a loan of {\$2900.00} despite only modestly improved income of {\$3900.00} per month. The required payment of {\$190.00} every two weeks represents a significant burden on my budget and has caused financial strain.</p> <p>Despite making regular payments, the loan has now ballooned to {\$8100.00}, nearly three times what I originally borrowed. This is clear evidence of a deceptive and exploitative lending structure that is designed to trap borrowers in long-term debt. NetCredit again failed to responsibly evaluate my ability to repay, and approved this loan based on income alone without accounting for my existing obligations or financial situation.</p>		
5/13/2025	Struggling to pay your loan	Additionally, this loan has negatively affected my credit standing and overall financial health, further preventing access to fair, affordable credit options.	MO	None
4/21/2025	Charged fees or interest you didn't expect	<p>I am a XXXX mother of XXXX XXXX children, and I am facing an uphill battle to pay off this loan. The exorbitant fees and sky-high interest rates are making this task nearly impossible. In less than two months, I have been hit with over {\$1000.00} in fees and interest charges. I am dedicating every single cent I have to pay this off, yet their practices seem utterly illegal.</p> <p>Its outrageous that after borrowing just {\$5000.00}, I am now forced to pay more than {\$1000.00} in interest and fees in less than 2 months. After making a payment of {\$1000.00}, my balance dropped to {\$3900.00}. Yet the very next morning, I woke up to find my balance had strangely surged to {\$4300.00} without any justification. No matter how much I pay, it feels intentionally designed to trap me in a never-ending cycle of debt. This situation is unacceptable.</p> <p>My name is XXXX XXXX.</p> <p>My husband took you a loan in the amount of {\$2400.00}, in my name. He didnt ask me, I didnt give an agreement. He just presented me with a fait accompli.</p>	VA	None
		<p>XXXXXXXX XXXX XXXX XXXX XXXXXXXX XXXX XXXX XXXX XXXX XXXX, IL, XXXX XXXX Account Number : XXXX My relatives and I are in XXXX process. I also dont understand XXXX well.</p> <p>In XXXX and XXXX, NetCredit automatically withdrew {\$360.00} and {\$340.00} from my bank account ( {\$700.00} ). This payment includes only {\$80.00} to pay off the loan, {\$280.00} and {\$260.00} is the banks interest. This is an incredibly inflated interest rate, not justified by anything. I consider this a fraud.</p> <p>Its too expensive. I cant pay such interest. Its very expensive for me.</p> <p>I ask to take action, since I did not agree to such a loan. And either recalculate to normal, adequate interest rates.</p> <p>According to the on consumer protection, this product ( loan ) does not suit me at all. And I see no reason to pay so crazy interest rates for nothing.</p>		
3/19/2025	Charged fees or interest you didn't expect	They dont answer me.	FL	None
3/3/2025	Incorrect information on your report	Sincerely, XXXX XXXX XX/XX/year>	FL	None
		Account inaccurate. Payment made in XX/XX/year> still not updated 8 months later preventing me from securing mortgages and preventing home ownership. Violated my rights as a consumer.	FL	None

		Ive requested a written settlement agreement for this account multiple times. I was told a line of credit can not be settled, which is false. I am only able to make a lump sum payment, and Ive been denied that option without justification.		
		Additionally, NetCredit continues to issue vague threats about " collection procedures " without clarity. I believe this violates fair debt collection practices and demonstrates refusal to work with a consumer in good faith.		
8/5/2025	Struggling to pay your loan	Im requesting CFPB assistance in compelling NetCredit to either : -Provide a written settlement option -Cease further collection threats -Remove or adjust this account under XXXX XXXXFCRA guidelines if they can not resolve	FL	None
		Loan Provider : XXXX Loan Amount : {\$3100.00} Monthly Income at Time of Loan : {\$2900.00} Payment Schedule : {\$180.00} biweekly Outstanding Balance : {\$8200.00} I am filing a formal complaint against XXXX for issuing a predatory and unaffordable loan that has caused significant financial harm. XXXX approved me for a high-interest loan of {\$3100.00}, despite my income being only {\$2900.00} per month. The required payments of {\$180.00} every XXXX weeks represented a large and unreasonable portion of my income, making it impossible to repay without falling behind on basic living expenses.		
		The current balance has ballooned to {\$8200.00}, which is over 2.5 times what I originally borrowed. This is the result of an exploitative lending structure that took advantage of my financial vulnerability. XXXX failed to properly assess my ability to repay the loan, in violation of responsible lending standards and potentially in breach of federal and state consumer protection laws.		
5/12/2025	Struggling to pay your loan	As a result of this loan, my credit has been negatively impacted, making it even harder to recover financially or access fair credit in the future. approved, it can be canceled. Despite this cancellation, the funds were still deposited into my bank account and then promptly withdrawn, as part of the cancellation process.	MO	None
		I provided direct proof to CashNetUSA by sending them a screenshot of my bank transactions clearly showing both the deposit and the withdrawal of the same amount. This proves that the loan was canceled and the funds were returned. Instead of acknowledging this, CashNetUSA has refused to close the account or confirm the cancellation. Even worse, they have been demanding a full bank statement, which is completely unnecessary, overly invasive, and not required to verify what has already been clearly shown in the screenshot I provided. This feels like a delay tactic and a violation of basic consumer fairness.		
		I have made good faith efforts to resolve this directly, but CashNetUSA continues to : Refuse to confirm that the account is canceled Refuse to confirm that I owe nothing Retain my personal data despite my clear request to delete it CashNetUSA has failed to formally acknowledge the cancellation, close the account, or confirm that no balance is owed.		
		They have acknowledged the issue I brought forward and have refused to fix it even with the proof of the deposit of {\$500.00} and the removal of {\$500.00} for the loan to be canceled.		
		This lack of resolution is unacceptable. The loan was canceled within the proper time window, no funds remain with me, and I have no outstanding obligation to them.		
		I have attempted to resolve this matter directly with CashNetUSA and have been ignored and dismissed.		
		I am now escalating this issue through the Consumer Financial Protection Bureau because : The loan should have been canceled and closed immediately.		
9/23/2025	Charged fees or interest you didn't expect	I owe nothing and demand written confirmation of a {\$0.00} balance and full account closure. I am invoking my rights under the Texas Data Privacy and Security Act ( TDPSA ) and demanding the permanent deletion of all personal data held by CashNetUSA.	TX	None
7/8/2025	Charged fees or interest you didn't expect	I got this loan back in XXXX and I made the payments however the payments were made and I recieved so many overdraft fees from this company that the bank closed my account so they were paid in full but still saying I owe XXXX dollars	SC	Service-Member
		In XX/XX/year> ], I applied for a personal loan through NetCredit during a time of financial hardship. The application process was fast, and the loan was approved quickly. However, the terms of the loan were not clearly explained. I was led to believe the repayment terms would be reasonable, but after reviewing the documents more closely, I discovered that the loan carried an extremely high interest rate and a total repayment amount that was more than double the amount borrowed.		
		I attempted to contact XXXX customer service in [ Month, Year ] to dispute the charges and request a loan modification or settlement. I explained that the loan was predatory in nature and that I had not been properly informed about the total cost. I was told that nothing could be changed and that I had to pay the full amount regardless of the circumstances or lack of transparency in the loan disclosures.		
		To date, XXXX has refused to work with me on this issue or offer any form of resolution. Their collections department has continued to contact me despite my disputes, and their unwillingness to review the situation has placed me under severe financial strain.		
7/23/2025	Struggling to pay your loan	This experience leads me to believe that XXXX engages in predatory lending practices, targeting vulnerable consumers with confusing terms, high interest, and a lack of support or flexibility. I am requesting a full review of my loan, a breakdown of all charges, and removal or adjustment of any excessive fees or interest that were not clearly disclosed. I am filing a complaint against XXXX regarding their refusal to provide a reasonable discount for early loan payoff, despite my history of on-time payments and the significant amount of interest I have already paid. I requested a fair adjustment or settlement offer, considering the financial burden I have already shouldered. However, my request was denied outright without any flexibility or explanation beyond standard policy. This refusal seems unfair and does not take into account responsible borrowing behavior.	NJ	None
2/20/2025	Problem with the payoff process at the end of the loan	I am seeking a fair resolution, which could include a reduced payoff amount or a review of excessive interest charges. I request the CFPB to investigate this matter and help ensure fair lending practices.	NJ	None

7/30/2025	Loan payment wasn't credited to your account	<p>First off I went on XXXX XXXX to look for Pay Day loan, short term. They suggest Net Credit for a short term loan. So I filled out their application, and submitted two pay stubs and my social security declaration page. So I called up Net Credit, and got this XXXX rambling non sense, then telling me I have to talk to the three credit reporting agency. I just would like to know that my social security is safe or take other steps.</p>	NJ	Older American
9/12/2025	Charged fees or interest you didn't expect	<p>On XX/XX/year&gt; I borrowed XXXX from Net Credit to pay for my bills from XXXX XXXX. I paid XXXX a month at a hardship to myself. I took this loan in desperation because I was being taken to collections by medical bills.</p> <p>I dont have the exact dates or who I talk to but during the start of XXXX my finances were tighter because I was helping XXXX XXXX daughters who were XXXX XXXX temporarily from their jobs. I was also in active XXXX XXXX for XXXX. I told Net credit and they didnt care. They actually said I need to pay a higher amount of XXXX every XXXX weeks.</p> <p>If there is anything you can help with this I would be grateful. Its now at a balance of Loan Status Accelerated Loan Principal (\$3500.00) Outstanding Balance (\$10000.00) Overdue (\$10000.00) Thank you, XXXX XXXX XXXX XXXX XXXX XXXX XXXX</p>	IL	None
4/12/2025	Problem with the payoff process at the end of the loan	<p>I took out a personal line of credit/cash advance. Original amount was (\$1200.00) I was approved for. Then they gave me another (\$150.00). Payments were set up bi-weekly on my paydays. When I couldn't make payments, I contacted them and extended the due dates and amount due. My balance is way higher than what it should be and they are saying that I am past due (\$520.00) because of a missed payment. I called them and changed the payment days way in advance but they still tried to run payment on XX/XX/XXXX for (\$210.00). That payment was changed.</p> <p>The agreement was to pay XXXX (\$100.00) XXXX (\$100.00) XXXX (\$210.00) I also have the emails they sent with the scheduled payments The XX/XX/XXXX payment was supposed to be postponed and date changed. If you look at my statement from XX/XX/XXXX ( attached statements ) you will see there were payments of (\$390.00) that were made also but were not applied when I look at payment history. There's obviously a discrepancy and someone there isn't doing their job and not updating my account once I make arrangements. They also processed one payment from a wrong bank account before and I had to call in and get them to process again in the correct account because it failed the first time.</p> <p>THEY NEED TO CORRECT MY ACCOUNT AND UPDATE IT. IT IS NOT PAST DUE. I MADE ARRANGEMENTS.</p> <p>I borrowed (\$1700.00) total from Netcredit on a line of credit. I have paid them over (\$700.00) in 3 months and the balance has not went down. No money is going towards my principal when I'm making my payments.</p> <p>They are refusing to give me a interest rate they are charging me. However, they say they are charging me (\$5.00) for each (\$100.00) borrowed in fees biweekly. The fees add up to over 120 percent interest yearly.</p> <p>On top of that I was also charged a 10 percent origination fee for the loan. They have also reported this loan to all 3 major credit bureaus.</p> <p>This is predatory lending and should not show on my credit report. All loans should clearly state their interest rate. This company is telling customers they are charging no interest but instead a monthly fee which is the equivalent of paying over 120 percent interest annually.</p>	SC	None
3/23/2025	Charged fees or interest you didn't expect	<p>I have tried multiple times by phone and email to get the fees lowered to a reasonable interest rate and no one at the company will help.</p> <p>I have several emails from XX/XX/XXXX to current, to show that I have tried to get them to be reasonable.</p>	MI	None
12/10/2025	Charged fees or interest you didn't expect	<p>I have a XXXX account ( # XXXX ), originally (\$5000.00), which was later charged off. Despite paying (\$2100.00), my balance grew to (\$7000.00) due to (\$4300.00) in fees, including 10 % cash advance fees and tiered Statement Balance Fees. After payments of (\$240.00) and (\$240.00) on XX/XX/year&gt;, my balance increased to (\$5700.00). The effective APR is approximately 180 %, far exceeding XXXX 36 % legal cap on consumer loans. I believe fees were applied incorrectly, some payments may not have been credited properly, and the account was inaccurately reported. I request a full review, correction of fees and payments, and accurate credit reporting.</p> <p>An unknown 3rd Party submitted a loan request without my knowledge or consent. I Did Not apply for a CASHNET loan with my banking info on XX/XX/year&gt;.</p> <p>I applied XX/XX/year&gt;. I DID NOT apply again on XX/XX/XXXX. I never provided Cashnet USA my bank info.</p>	OR	None
7/12/2025	Improper use of your report	<p>CASHNET USA refuses to divulge who Applied for a loan AGAIN without my permission or consent on XX/XX/year&gt;. I recorded the CASHNET Fraud Employee stating the company has no way of knowing who the 3rd party is. Cashnet USA grants loans blindly and anonymously. Please review the audio attached.</p>	TX	Service-Member
4/16/2025	Problem with additional add-on products or services	<p>I am writing to obtain your assistance with obtaining a refund of (\$5000.00). On XXXX I received an email from XXXX, informing me that I had a credit of (\$5000.00) in a formerly closed personal loan account. I called XXXX ( Spoke with XXXX ) and asked how this was possible? The account was opened in XXXXXXXX XXXX XXXXXXXX and paid in full in XX/XX/XXXX. XXXX. XXXX referred me to XXXX representative XXXX XXXX confirmed that my formerly closed account, had a credit of (\$5000.00). I told XXXX that since the account was closed, to forward the credit to me at my address on record. XXXX informed me that would receive the check by XX/XX/XXXX. On XX/XX/XXXX, I received an email from XXXX, congratulating me on paying off my loan! I next received an email from XXXX stated that once the (\$5000.00) cleared my check account, I would receive a refund! I then checked my checking account and found XXXX had withdrawn (\$5000.00) from my checking account on XX/XX/XXXX. The check cleared on XX/XX/XXXX. I have not received a refund. XXXX fraudulently withdrew (\$5000.00) and added it to a closed XXXX personal loan account. XXXX has had use of the (\$5000.00) for the last 19 days. Please assist me in receiving a refund, and report XXXX XXXX fraudulent activity.</p>	MI	Service-Member
4/2/2025	Charged fees or interest you didn't expect	<p>Thank you for your time and assistance XXXX XXXX XXXX</p> <p>The monthly payment is the same amount as the fees- so I am not able to get ahead of the payment. I have been making regular payments but till owe the same amount because the fees and interest are so high.</p>	FL	None

could keep working. The loan structure is deceptive and predatory.

On XX/XX/XXXX, I received {\$1200.00} XXXX XXXX on a {\$1400.00} XXXX XXXX. XXXX immediately took a {\$140.00} Cash Advance Fee.

I made steady payments of ~ {\$100.00} every two weeks ( e.g., {\$100.00} on XX/XX/XXXXXXX {\$100.00} on XX/XX/XXXX, {\$100.00} on XX/XX/XXXX, etc. ).

Despite these consistent payments, my balance barely decreased, because each cycle XXXX added Statement Balance Fees of {\$65.00} {\$70.00} in addition to prior Cash Advance Fees.

For example : XX/XX/XXXX : {\$70.00} fee XX/XX/XXXX : {\$70.00} fee XX/XX/XXXX : {\$70.00} fee XX/XX/XXXX : {\$70.00} fee On top of this, smaller Cash Advances ( e.g., {\$92.00} Advance Proceeds on XX/XX/XXXX with a {\$10.00} fee, and {\$60.00} Advance Proceeds on XX/XX/XXXX with a {\$6.00} fee ) created more recurring fees.

By XX/XX/XXXX, I had already paid {\$1300.00}, yet I still owed {\$1500.00} more than my original loan.

Fee discrepancies : My records show {\$770.00} in fees charged, but XXXX statements only list {\$500.00} YTD fees, which is misleading.

This structure ensures borrowers can not escape the debt : 10 % upfront fee on every advance Recurring {\$65.00} {\$70.00} statement balance fees even while paying regularly No grace period ( finance charges accrue immediately ) The effective APR exceeds 400 %. I am requesting : Investigation into XXXXXXXX XXXX XXXX XXXX XXXX and XXXX lending practices.

9/24/2025	Charged fees or interest you didn't expect	Cancellation of the remaining balance. Correction of any negative credit reporting	TX	None
7/17/2025	Problem when making payments	I am a XXXX retiree on fixed monthly income {\$1000.00}. XXXX approved me for a {\$3300.00} line of credit, but before any payment my balance increased to {\$3600.00} and my minimum payment is {\$490.00}. I contacted XXXX and they refused to offer any hardship or reduced payment plan. I believe the terms are predatory and request CFPB review.	FL	Older American
3/3/2025	Incorrect information on your report	Under 15 U.S.C. 1666a, if a debt is charged off, that means the original creditor has written it off for tax purposes. If they sell it to a third party, you no longer owes it- because you had no contract with the new collector. I am submitting this complaint to formally request an investigation into the lending practices of CashNetUSA regarding my Line of Credit account XXXX XXXX XXXX XXXX ). I believe this company may be engaging in predatory lending, and I am deeply concerned about the significant discrepancy in the balance they claim I owe.  I spoke with a CashNetUSA representative last week, and during that conversation, I was informed that my outstanding balance was around {\$2400.00}. However, today, I received a email stating that the full balance due is now {\$4000.00}. This increase in such a short time frame is both alarming and suspicious, especially since I have not taken any additional draws and was in the process of seeking funds to make a payment.  It is unreasonable to believe that my balance could have jumped by more than {\$1500.00} in a matter of days. This appears to reflect unfair, deceptive, or abusive acts or practices ( UDAAPs ) and fits the description of predatory lending a pattern that includes excessive interest, fees, and practices that trap borrowers in cycles of debt.  I also attempted to make a payment using an XXXX XXXX XXXX card number, and I was seeking funds to load onto that card. However, complications arose due to delays in receiving those funds. Still, I made every effort to communicate and resolve the matter with the lender.  I respectfully request that the CFPB investigate this account, including : A breakdown of how this {\$4000.00} balance was calculated, Whether interest or fees have been improperly or excessively added, Whether CashNetUSA is engaging in unlawful or deceptive practices in violation of federal lending regulations.  Thank you for your time and for standing up for consumer rights. I would appreciate follow-up regarding the progress of this complaint.	FL	Service-Member
5/1/2025	Charged fees or interest you didn't expect	Sincerely, XXXX XXXXXXXX XXXX XXXX XXXX	AL	None
11/19/2025 9/24/2025	Charged fees or interest you didn't expect Problem when making payments	I needed a short term loan to catch up on some household bills, got behind because of being in a serious Car accident.  This company is nothing but a predator of people in need, The were very unclear about their 249 % interest. they have not allowed me to change payment methods so I can authorize auto payments. This loan has a different legal name on the paperwork, not my name. It was a {\$2000.00} note and I have paid {\$1300.00} as of XXXX and they say I still owe {\$3200.00} dollars. I have notified the XXXX and my bank to stop any further withdrawls from my bank. From what I have researched 249 % is not legal in the State of Alabama or any other state for that matter. I Thank You, I am making weekly payments to XXXX XXXX XXXX XXXX XXXX I am making payments to XXXX AND XXXX	AL	Older American
			VA	None

( Customer # XXXX ). I did not apply for or authorize this loan, nor did I receive or benefit from its proceeds. This is a clear case of identity theft, account compromise, and fraudulent use of personal and financial information.

Summary of Events : A hacker obtained my personal information through XXXX XXXX fraud, XXXX XXXX, and XXXX voice cloning.

They successfully opened a fraudulent loan through XXXX and had the funds deposited directly into my XXXX XXXX account.

They immediately set up direct withdrawals from that same XXXX account to make it appear legitimate.

XXXX XXXX and I quickly detected the unauthorized activity, and the account was closed as a result.

I have not received any copy of the contract, the full loan amount, nor any documentation from XXXX confirming how the loan was applied for.

Legal and Investigative Actions Taken : Filed a police report ( Report # XXXX ), recently updated to include this XXXX loan and the full extent of the fraudulent scheme.

Filed formal complaints with the following agencies : Consumer Financial Protection Bureau ( CFPB ) Federal Trade Commission ( FTC ) XXXX XXXXXXXX XXXX XXXX XXXX ) Department of Insurance and Financial Services ( DIFS ) Federal Deposit Insurance Corporation ( FDIC ) XXXX fraud division confirmed that I am not liable for this debt and advised XXXX should cease collections and close the account.

7/30/2025 Problem with the payoff process at the end of the loan MI None

5/22/2025 Charged fees or interest you didn't expect  
 XX/XX/year> - present Amount : {\$2400.00} I will never be able to pay this off. It takes more than 50 % of my paycheck. I asked this company not to call my cell phone everyday. I asked if I could have the amount lowered due to high interest. I asked to put the payment on hold because I lost my job. I asked not to take the funds from my checking account. I asked if I could get a forgiveness/forbearance of this high interest loan. XXXX would not do anything I requested. I went to see a doctor due to stress and other personal medical issues due to not having any funds for medication. WI None

6/25/2025 Struggling to pay your loan  
 I am filing this complaint regarding an installment loan issued to me by XXXX XXXX XXXX XXXX XXXXXXXX, facilitated by NetCredit. The annual percentage rate ( APR ) on my loan is an astonishing 98.68 %, which has created significant financial hardship and severely disrupted my ability to cover basic living expenses such as rent, utilities, and groceries. Despite making timely payments, I have paid a substantial amount in interest and fees, and my principal balance remains virtually untouched. I am actively trying to resolve this debt in good faith. On XX/XX/year> I contacted NetCredit 's Final Resolution Team to formally raise my concerns about the loan 's high interest rate and the financial damage it has caused me. I clearly stated that I am experiencing financial hardship and that I am unable to keep up with my essential living bills due to this loan. I asked to negotiate a fair and reasonable settlement, including options like applying the excessive interest I've already paid toward my principal or arranging a payment plan I can reasonably afford. Instead of helping, NetCredit outright denied my request and told me : They do not offer settlements at this time They do not have a hardship program They advised me to call their general customer service line if I wanted to " adjust any upcoming payments " This response was automated and impersonal, and it ignored the seriousness of my financial hardship. It felt like my situation was brushed aside. Why I'm Filing This Complaint : The loan carries an excessively high interest rate that I believe is predatory in nature. I am making payments but am unable to escape the debt cycle because the interest is so disproportionately high. NetCredit refused to offer any hardship relief or discuss alternative repayment terms.

6/25/2025 Struggling to pay your loan MN None

I opened a personal line of credit with NetCredit ( XXXX XXXX ) and have paid over {\$1600.00} in fees this year alone significantly more than I initially borrowed. The account is advertised as interest-free, but the fees function like extremely high interest and have become unaffordable. Every month Im charged a \$ XXXX statement balance fee, which prevents me from making progress on the balance and creates a cycle of debt. I contacted NetCredit to ask for a hardship plan, settlement, or payment reduction. They stated that no hardship or settlement options exist for this product, even though Im facing financial hardship and can no longer afford to continue payments under this structure.

7/13/2025 Charged fees or interest you didn't expect  
 I believe the fee structure is excessive and predatory, especially as the fees are charged monthly regardless of my payment behavior. The lack of flexibility or hardship relief is concerning and has caused significant financial distress. I am requesting the CFPBs assistance in reviewing this product and helping facilitate a fair resolution, including possible fee cancellation, a reduced settlement amount, or full debt relief. FL None

5/30/2025 Charged fees or interest you didn't expect  
 I opened a XXXX \$ line of credit with NetCredit in a desperate spot around two years ago I believe, and it was rather shady. After seeing how the interest accelerated up, I realized it was a bad loan and couldn't pay it off. After nonpayment, my balance was accelerated, but sometime during this I was notified that NetCredit can not operate in Washington anymore. I believe my interest also stopped compounding after this point, but I am still unable to pay it back. Now, I'm dealing with automated weekly XXXX \$ charges from NetCredit that I can't turn off. WA None

The company is claiming that I am behind on my payments and is attempting to place me on a payment plan for alleged missed payments. However, my own bank records prove that I have consistently made on-time payments.

Attached are screenshots from my bank account showing successful debits on : XX/XX/year> {\$70.00} XX/XX/year> {\$76.00} XX/XX/year> {\$70.00} XX/XX/year> {\$69.00} XX/XX/year> {\$69.00} XX/XX/year> {\$68.00} XX/XX/year> {\$63.00} XX/XX/year> {\$62.00} These payments are clearly marked as cleared transactions to XXXX XXXX XXXX XXXX with my name.

According to Section IV ( E ) of the Open-End Line of Credit Agreement, I am entitled to accurate statements each billing cycle reflecting my payments, credits, and balances. My statements and bank records show no missed payments, yet the company continues to claim delinquency.

This false delinquency has already caused me direct financial harm. I was unable to purchase a vehicle because their system and/or credit reporting reflected me as delinquent, despite proof of consistent payments.

I am formally disputing these false claims under my rights in Section VII of the Agreement ( Billing Rights ) and the Fair Credit Billing Act.

I am requesting that the CFPB require XXXX XXXX XXXX XXXX to : 1. Provide a full and accurate payment history for my account, reconciling it with my bank records.

2. Correct any false reporting to credit bureaus.

3. Cease all attempts to collect payments not actually owed.

8/29/2025	Problem when making payments	This issue is causing me unnecessary stress, has damaged my ability to access essential credit, and poses a serious risk of further harm to my credit profile. I have already attempted to resolve this directly with the company, but they continue to insist that I am XXXX XXXX requirements that would give me XXXX \$ for every XXXX \$ a paid this went on for over a year that I stopped paying because they were ripping off I didnt not see the loan agreement online. I stopped paying and now I owe XXXX to close my account.	FL	None
12/2/2025	Problem with the payoff process at the end of the loan	They would not let me pay it off for the payments I already paid	AZ	None

We did a cash out refinance and XXXX XXXX XXXX mailed us checks for multiple loan payoffs. On XX/XX/XXXXXXXX XXXX XXXX received XXXX XXXXXXXXXX payoff checks in error. This was discovered and XXXX XXXX advised they would be canceling the payment applied in their system due to the checks being received being made out to XXXX XXXX. There were 2 checks in the payment envelope as those checks were to payoff XXXX XXXX loans. 1st check received by XXXX XXXX was in the amount of {\$4200.00}. In that same payment envelope was another check for XXXX XXXX in the amount of {\$4700.00}. This totals an overpayment of {\$8900.00} to XXXX XXXX The title company provided front and backs to both checks showing the checks were not canceled and sent back to XXXX XXXX XXXX but were cashed by electric deposit by XXXX XXXX I immediately contacted XXXX XXXX and XXXX XXXX XXXX. XXXX XXXX has been opening and closing resolution cases in this matter but keeps stating they have to investigate with their final resolution team. This has been going on since XX/XX/XXXX first date the checks were received, XX/XX/XXXX Checks cleared Bank XXXX the title companys bank, multiple written and verbal communications with XXXX XXXX since to get the funds refunded that XXXX XXXX fraudulently deposited as these XXXX loan payment checks were not even made out to XXXX XXXX The checks were made out to XXXX XXXX

4/16/2025	Problem with the payoff process at the end of the loan		MI	None
10/18/2025	Charged fees or interest you didn't expect	<p>{\$130.00} payment - {\$55.00} to premium - {\$80.00} fees - no breakdown or explanation - every month.</p> <p>resolving an issue with XXXX regarding inaccurate reporting to my credit score. I have held a loan with XXXX since around XXXX, and due to intermittent withdrawals against the balance, I have not yet fully repaid the original amount. Several months ago, during financial difficulties, XXXX offered alternative payment arrangements, which I accepted, and I have been diligent in making payments under this agreement.</p> <p>On XX/XX/XXXX, I made a scheduled payment as agreed. However, I encountered an unexpected issue : on XX/XX/XXXX ], I requested that XXXX change my auto-debit authorization from my current account to my business account to prevent future missed payments. Despite this clear instruction, they continued to debit from the account I no longer use. This resulted in confusion and missing funds intended for future payments.</p> <p>To my surprise, XXXX has now reported to the credit bureaus that I have not made any payment in the past XXXX days, negatively affecting my credit score. I have solid proof of my payment on XX/XX/XXXX, as well as documentation of my request to change the auto-debit account. This erroneous report has serious ramifications for me, as I am actively seeking employment in another state and need to rent a home to stabilize my finances.</p> <p>I respectfully request the following actions : XXXX. Immediate Review and Correction : Please have XXXX review my account, taking into consideration the documented proof of my payment and my request to change the debit account.            XXXX. Removal of Negative Reporting : Given that I have complied with the agreed payment terms, I request that the negative report affecting my credit score be removed promptly.            XXXX. Assurance of Future Accuracy : I ask for confirmation that XXXX will update my auto-debit information as per my instructions to prevent similar issues in the future.</p>	MS	None

4/10/2025	Problem when making payments	Thank you very much for your attention to this matter. I have attached copies of relevant documents, including payment confirmation and my auto-debit change request, as evidence. Please do not hesitate to contact me at XXXX XXXX or XXXX if further	FL	None
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	<p>On XX/XX/year&gt; I called their XXXX number ( that I had to find online ) to ask how much I owed and what I have paid and they said they would not be able to give me any information on my account until I submit my drivers license and a full copy of my bank statement. I already have the loan, I and I already made a payment, I received nothing in the mail about any of my account information and was denied access online. So they refused to tell me anything.</p> <p>I also called a week prior for the same information and was told the same thing, so I asked to speak to a supervisor and they said the supervisor would call me back. I never received a call or an email, until I received an email that said I was in default. So when I called on XX/XX/year&gt; and got the same information, they said they would have a supervisor call me back. After not hearing from anyone again ; I called the XXXX number and told them I would like to know how much I owe so I can pay it off. They again, told me my account was locked and they could tell me anything. But for some reason this person then put me on hold, and got the total amount I owed and I authorized a payment.</p> <p>So I still never received receipt of my payment. Nothing in writing. And I just think it should be illegal to lock my account so that I can not pay. There is no reason that AFTER I already received the loan, after I already made a payment on the loan that I have to give them my drivers license and a bank statement to find out what I owe, so I can pay them. And at 325 % interest, their delaying my ability to make payments, they earn more money off of making things difficult for me to pay it off sooner.</p>	
<p>4/23/2025 Problem with the payoff process at the end of the loan</p> <p>10/31/2025 Charged fees or interest you didn't expect</p>	<p>I contacted the company to see about XXXX benefits as my spouse had entered XXXX XXXX military. I was told I would see a change within XXXX business days and I have yet to see any changes ( 3 months later ). I wish to recover the overpaid interest to either pay off the remaining balance or get a refund.</p>	<p>MO None</p> <p>PA Service-Member</p>
<p>8/20/2025 Charged fees or interest you didn't expect</p>	<p>I made a loan online thinking that I would be paying a set term XXXX time per month. This company is charging me daily interest and are expecting multiple payments per month. I told them that I am struggling and cant afford it and asked if they would accept XXXX payment per month and to stop the daily interest or if they would do a settlement with me. They declined both of what XXXX asking. The balance is steadily going up and I just cant afford it.</p>	<p>LA None</p>
	<p>I am submitting this complaint against NetCredit for unlawful actions under the Fair Credit Reporting Act ( FCRA ), XXXX XXXX. XXXXXXXX XXXX XXXX and the XXXX XXXX ( XXXX ), XXXX XXXX. XXXX.</p> <p>On or about XXXX XXXX, XXXX reported information and/or made inquiries to the credit reporting agencies regarding my consumer credit file without my knowledge, authorization, or consent.</p> <p>Violations Under FCRA Under the FCRA, a company must have a permissible purpose ( XXXX XXXX. XXXX ) to obtain or report consumer credit information. XXXX did not have my authorization or a permissible purpose to make inquiries or report information, constituting a violation of federal law. This has caused measurable harm, including a negative impact on my credit profile and score, distress, and impairment of my ability to obtain fair credit opportunities.</p> <p>Violations Under XXXX The XXXX requires financial institutions to protect consumer financial information and restricts them from sharing such information with XXXX XXXX without providing notice and an opportunity to opt out. XXXX failed to provide me the legally required privacy disclosures or opt-out rights before reporting my information to the credit bureaus.</p> <p>Additional Violation Failure to Provide Itemized Bill I formally requested an itemized bill/statement from XXXX to XXXX the debt and the accuracy of the reporting. To date, the company has failed to provide this documentation. Continuing to report a debt to the credit bureaus without providing proper validation or billing records upon request constitutes a violation of my rights under the Fair Credit Reporting Act ( FCRA ) and the Fair Credit Billing Act ( XXXX ).</p>	
<p>9/18/2025 Improper use of your report</p> <p>8/18/2025 Received a loan you didn't apply for</p>	<p>This lack of transparency further demonstrates XXXX unlawful and abusive practices and supports my request for corrective action and compensation.</p> <p>Cashnet usa says I owe {\$2300.00) on a loan I've never requested.</p>	<p>FL None</p> <p>TN Service-Member</p>
	<p>insert CFPB Complaint ID here ] To Whom It May Concern, I am writing to submit my formal rebuttal to the response provided by NetCredit regarding my complaint.</p> <p>First, XXXX response fails to address the central issue of my complaint : the loan they issued violates Florida state usury laws and is therefore illegal and unenforceable under Florida law.</p> <p>Violation of Florida Law : True Lender Doctrine Applies Florida law strictly limits the interest rate on consumer loans to XXXX % for loans under {\$500000.00) ( XXXX XXXX. XXXX, Florida XXXX XXXX ). NetCredit attempts to hide behind XXXXXXXX XXXX federal charter, claiming they are permitted to export interest rates from XXXX</p> <p>However, XXXX, like many states, applies the XXXX XXXX XXXX : if the nonbank ( NetCredit/Enova ) is the true lender meaning they bear the economic risk, control key terms, and receive the profit then Florida law applies.</p> <p>In this case, it is clear that : XXXX XXXX XXXX marketing, origination, servicing, and collection of the loan. NetCredit controlled the risk and profit. NetCredit dictated all major loan terms.</p> <p>The economic reality is that NetCredit, not XXXX Bank, was the true lender. Therefore, XXXX usury cap applies, not XXXX law, and this loan is illegal under Florida law.</p> <p>Florida courts have held that courts will look past form to substance when determining lender status. ( XXXX v. State, 616 So.2d 1228 ( XXXX XXXX XXXX XXXX ) ).</p>	
<p>4/26/2025 Problem when making payments</p>	<p>NetCredit Has a Documented History of Regulatory Violations and Lawsuits This is not the first time NetCredit and its parent company, Enova International, have been caught engaging in illegal, deceptive, and predatory lending practices : 2021 Enova</p>	<p>FL None</p>

		I am a victim of identity theft involving CashNetUSA. A fraudulent loan was opened in my name without my knowledge or consent. I never applied for or authorized this account. After discovering it on my credit report, I attempted to resolve the matter directly with CashNetUSA.		
		I contacted their fraud department and requested they investigate and remove the account. Despite my good-faith efforts, CashNetUSA refused to take appropriate action, and failed to remove or correct the fraudulent loan. Due to their refusal, I filed an official FTC Identity Theft Report to formally document the situation.		
7/28/2025	Charged fees or interest you didn't expect	CashNetUSAs inaction has caused significant emotional distress, including anxiety and concern for the damage to my credit and financial standing. Their unwillingness to act responsibly has only made the effects of this fraud worse.	FL	None
10/31/2025	Charged fees or interest you didn't expect	i took out my initial loan while i was XXXX XXXX or recently released from duty and paid it off in full being forced to take out another loan to pay it due to rates. at the time i was unaware about the Military Lending Act. i tried correcting the issue but i was ignored and my loan was simply partially refunded which was not my request under the MLA. due to their willful deception i have been forced to revisit the situation realizing i am due a refund of all interest ever paid to them under MLA because the contract was void from inception due to my XXXX XXXX service and then after as a dependent to an XXXX XXXX member. i have requested all documents related to my credit and social but they have yet to respond. i have already requested and immediate refund of all interest or payments starting from the very first loan amount in XXXX. I will attach my XXXX, the contract, my husbands orders, and emails.	NC	Service-Member
7/8/2025	Money was taken from your bank account on the wrong day or for the wrong amount	This company is a scam. They are predatory lenders who will take additional or duplicated payments without your consent. Their explanations for this are rude, demanding and bordering harassment. Attempts to resolve the matter over the phone were unsuccessful and advised the only way to stop the payment was at the bank. They are unwilling to budge on resolving the debts, crediting payments that were deducted without authorization and you will end up owing double or more than you initially borrowed.	SC	None
9/23/2025	Getting a line of credit	Company said I was approved for a credit of XXXX but they would not let me take a loan	NJ	None
7/1/2025	Problem when making payments	I was behind on payments but called XX/XX/year> and made a {\$420.00} payment. The representative took my information but never applied it to my account ( bank card/ACH information ). The website said that I had until XX/XX/year> to make my payment of {\$120.00}, but instead of giving me that opportunity, they called my account due and accelerated the full amount although it stated in the last RIGHT TO CURE LETTER that the amount would be accelerated once the payment was returned SEVEN DAYS after the due date. The payment was NEVER returned and I didn't have the opportunity to pay the amount that was due.	TX	None
10/1/2025	Charged fees or interest you didn't expect	b"Cashnet USA has send a debt to a law firm that is calling around to all my family members. I had this debt in XXXX I lost my job In XXXX XXXX and was out of work until XXXX XXXX This is debt is predatory lending for one and they are now having this law firm threaten me for wage garish here in SC. I didn't get that much from them, and they are trying to get me to pay them XXXX XXXX XXXX if they take it to court. This amount is not near what I borrowed this is a scam and rip off. This isn't right I was already in a hardship unemployment last year mos. and this year 3 months I just started back working XXXX. I can not afford it or the harassment. I haven't heard anything about this loan since before I was laid off no other collection process from themXXXX XXXX XXXX called around today to 6 people. there number is XXXX XXXX and case number XXXX They want XXXX a month that I cant afford and threatening to garish wages and breach of contract all kinds of harassing things. Need to stop harassing me about old debt especially when they scammed me with that interest rate. I didn't get any communication since before now and calling around to every family member trying to locate someone is ludicrous." I live in the state of Arkansas, where consumer loan interest rates are constitutionally limited to 17 % APR. I took out a line of credit through XXXX in XX/XX/year>. While the original borrowed amount was approximately {\$2800.00}, I have now repaid nearly {\$20000.00} in total.	SC	None
7/20/2025	Charged fees or interest you didn't expect	The majority of these payments went toward interest and fees that far exceed what is legally permitted in my state. Despite contacting NetCredit to address this and request a resolution, the company has continued to insist that a balance remains of XXXX and has not acknowledged my concerns about Arkansas usury law. I submitted a formal revocation of ACH authorization, which was confirmed. However, XXXX has not addressed the underlying issue of excessive interest or the legality of continuing to collect. I believe the remaining balance should be eliminated and the account closed in good standing, given the amount Ive repaid far exceeds the original loan amount. I am requesting the CFPB investigate this matter and require XXXX to stop further collection activity and refrain from any negative credit reporting.	AR	None
6/26/2025	Getting the loan	On XX/XX/XXXX, I received a denial notice from XXXX for a loan application I never submitted. The reason given was that I had a previously declined application within the past 365 days. That original application occurred in XX/XX/XXXX and was already disputed due to inaccurate data from XXXX.		
11/8/2025	Charged fees or interest you didn't expect	I have not applied for any credit since XX/XX/XXXX, and I did not authorize XXXX or any of its partners to resubmit my data. When I contacted XXXX, they acknowledged in writing that a profile may have been created through a third-party affiliate ( such as XXXX or XXXX XXXX ) within the last 3060 days. However, I have not interacted with any affiliate during that timeframe. I repeatedly requested in writing that XXXX disclose the origin, date, and referral source of the application, as well as whether any credit inquiry was made. They refused to provide this information in writing and instead insisted I call them, avoiding a written record. This appears to be a case of unauthorized reuse of personal data, possibly automated through an affiliate matching system, resulting in a credit denial I never requested. I am requesting the CFPB investigate XXXX lead handling, data-sharing practices, and unauthorized profiling of consumers without fresh consent.	FL	None
9/23/2025	Incorrect information on your report	Predatory loan, ridiculously high interest rate... I NEVER APPLIED FOR A LOAN FROM NET CREDIT THE DOCUMENTS THAT WERE SENT YOU CAN GET OF THE INTERNET. ON THE DOCUMENTS SENT HAD NO BANKING INFO WERE THE SUPPOSED LOAN WAS DEPOSITED INTO MY ACCOUNT NO PROOF WAS EVERY RECEIVED THIS IS FRAUD IF IT IS NOT REMOVED FROM MY CREDIT REPORT I WILL HIRE A LAWYER AND SUE YOU. DO YOU UNDERSTAND.	NJ	Older American, Service-Member

		NetCredit charged me an interest rate that exceeds Florida 's legal limit for consumer loans. I entered into a payment plan with NetCredit to resolve the account, but after agreeing to the plan, they failed to honor it. Despite my efforts to contact them multiple times to ask why agreed payment plan was not being processed correctly, I was ignored.		
		I made a {\$400.00} payment on XX/XX/year>, in good faith toward the balance. However, on XX/XX/year>, NetCredit sent my account to collections without properly applying the payment or honoring the agreed plan.		
		This conduct violates Florida 's usury laws, as well as federal fair lending and fair debt collections laws. As a result, this loan is illegal and unenforceable.		
4/12/2025	Charged fees or interest you didn't expect	I am requesting that NetCredit immediately : *Delete the account entirely from all of my credit reports ( XXXX, XXXX XXXX and XXXX XXXX *Recall any collection activity *Cease any attempts to collect on this account *Acknowledge that I do not owe any further payments *Refund the {\$400.00} payment I made, or apply it toward the deletion of this account Failure to do so will result in additional complaints to the Florida Attorney General and further legal action if necessary.	FL	None
5/23/2025	Getting a line of credit	I am XXXX overseas, and I suddenly found out payments were taken out of my checking account. I never requested nor opened a line of credit with this company. they are now calling me to pay, but I explained to them the following : - I never opened the line of credit - I never gave consent to have money taken out of my account - Being called while XXXX overseas is causing friction between me and my superiors because the calls are coming in while I am on duty ( Company doesn't care ) - explained to company i was a victim of Identity fraud ( They never acted on that )	AZ	Service-Member
11/1/2025	Charged fees or interest you didn't expect	Im being charged extra fees than I was supposed to be charged when I signed up. Not to mention these loans are predatory. They will not work with me to create a settlement, even though their practices are illegal. I need this loan closed immediately and reported as paid in full or completely removed from my credit report. Im making payments of approximately \$ XXXX and only getting {\$100.00} towards the principal.	TX	None
		Net credit has behaved as a predatory lender charging me at least {\$4500.00} in just fees for a {\$5000.00} loan limit, over the course of only 8 months.		
		I was charged {\$2700.00} between XXXX and XX/XX/XXXX and {\$1700.00} between XXXX and XXXX XXXX, in fees alone.		
		I took a {\$5000.00} loan out with NetCredit in XX/XX/XXXX and was hit with very large fees and interest that meant that paying back the loan became extremely difficult, stressful and nearing impossible.		
4/15/2025	Charged fees or interest you didn't expect	Ultimately, I can see from the statements that I ended up paying back 200 % + which was not made clear enough within the agreement. And is predatory practice.	NJ	None
2/25/2025	Problem with additional add-on products or services	I had learned that there had been a loan taken out in my name in XXXX 2024 with a company named net credit when I had contacted them I advised them that this account had been fraudulently opened and I was a victim of fraud this occurred on XX/XX/year>2024 I immediately went to my local police department and filed my complaints for the identity theft as well as for my bank accounts. On XX/XX/XXXX I was informed that I could go pick up the report After receiving the police report I immediately contactedXX/XX/XXXXagain and had asked them to remove this from my credit report but now not only did they not remove or at least put a hold on the account they actually sold this account to a debt company that has done nothing but ring my phone all kinds of hours as well as texting me without any consideration for the hours and the inappropriate and unprofessional phone calls	NJ	None
4/29/2025	Struggling to pay your loan	I took out a {\$1000.00} personal loan with Net Credit XX/XX/XXXX. I heard nothing from them regarding wanting payments until late XXXX and so far this year. They have never sent me anything in the mail only emails which first went into my junk folder. They are asking for {\$3600.00} to be paid back? {\$1000.00} was borrowed. They offered a reduction of the {\$3600.00} down to {\$1800.00} to be paid by XX/XX/XXXX in an email. I have contacted the company that has my debt consolidation program XXXX XXXX XXXX and they told me they do not work with Net Credit. They actually warned me that Net Credit will NOT reduce my payments or the amount they are asking me to pay. I have sent numerous emails to Net Credit asking why they did not contact me before this amount got so out of hand, no reply. I asked about getting to take advantage of the reduction that was in the email. No reply. They said before they could do anything for me that I needed to upload my bank routing number and checking account number on their website which I did. I DID NOT GIVE THEM APPROVAL TO START TAKING ANY MONEY OUT OF THIS ACCOUNT. They have still never sent me any correspondence through the mail and they refuse to accommodate any of my questions on my emails to them I believe they have not followed the Fair Debt Collection Practices Act. At this point I need help from someone to try to get to the bottom of this and get a fair deal worked out. Ive tried.	NE	Older American
8/5/2025	Struggling to pay your loan	Hello, I took out a loan amount of {\$3000.00} that I have been paying for about 4 years biweekly for XXXX for a total of about {\$9000.00} so far. When I reached out to the loan company, I was told that I still have 9 payments left and there was no option to settle after I shared that I have paid three times the loan amount and could no longer continue to pay. I believe the terms of the loans to be predatory with extreme high interest rate. I called two times, and both times I was told that paying the loan is my only options. Instead, they offered to finance me with more money.	FL	None
		I am submitting this complaint under a bad faith and predatory loan terms.		
		XXXX XXXX XXXX has current account sent to collections. I wish is only notice stating they are no longer requiring me to pay back a debt that was owed to them. XXXX XXXX XXXX loan needs to charge off because the repossession, & use a loan modification. Cash net usa could cancel cancels or forgives {\$600.00} or more of debt, they are generally required to send me a Form 1099-C. XXXX XXXX After a debt is canceled, the creditor may send you a Form 1099-C, Cancellation of Debt showing the amount canceled and date of cancellation.		
9/7/2025	Struggling to pay your loan	I wish the debt cancellation will not impact my future or credit score. XXXX XXXX can help me stop them & thier tracks XXXX XXXX XXXX I paid bills i was over charged entirely cancelled my account & subscription. XXXX XXXX XXXX XXXX, it refers to domestic debts, in particular agricultural debts and freeing of debt slaves. Wish all collectors cancel thier orders and thats it.	MO	None

<p>Charged fees or interest you didn't expect</p> <p>8/27/2025</p>	<p>I had been using cashnetusa for a little while had a few loans but always paid them off fast then this last time when i took out a loan i couldn't make a payment when into collections and Ive struggled to get anything towards it paid. the issue being that the amount of interest on this loan is 300 % and had doubled what i owe. this is theft at this point nothing about this is morally right or OK to do to someone who is borrowing because they are struggling. its like beating a dead horse. I am in the state of Louisiana.</p> <p>Account Open Date XX/XX/XXXX Minimum Payment Due Date XX/XX/XXXX Next Statement Close Date XX/XX/XXXX was paid up as of XX/XX/XXXX sent in for a Draw Request ACH {\$1700.00} which was received and this is what my statement upon receiving it looked like Advances and Other Debits {\$1700.00} Fees {\$250.00} Interest {\$150.00} Account Balance {\$2000.00} XXXXXXXX XXXX XXXX XXXX XXXX XXXX XXXX in fees and interest just on getting the loan you can not sit here and tell me that they are not scammers who know how the system works and has been using this work around to target those who are unfortunate enough to borrow and rip them for everything they have!!!</p> <p>fyi three months later and the interest added another XXXX XXXX</p>	<p>Service-Member</p> <p>LA</p>
<p>Struggling to pay your loan</p> <p>11/25/2025</p>	<p>XXXX. Took \$ XXXX installment loan out in XX/XX/XXXX.</p> <p>XXXX. Made payday payments for approximately 6 months.</p> <p>XXXX. Declared financial hardship in XX/XX/XXXX and joined debt consolidation program ( XXXX consumer consolidation ).</p> <p>XXXX. Requested XXXX account to be added in XXXX.</p> <p>XXXX. XXXX stated that XXXX does not work with them and account could not be added.</p> <p>XXXX. Reached out to XXXX numerous times to add account. They stated they would note my account.</p> <p>XXXX. Fees continued to be added and account still not accepted to be added to the plan XXXX XXXX.</p> <p>XXXX. Reached out again in XX/XX/XXXX to please stop fees and close account.</p> <p>XXXX. Account is still opened and my current fees are up to \$ XXXX.</p> <p>XXXX. XXXX refuses to close account or sell the account to collections in order for me to negotiate terms and add to my debt consolidation program.</p> <p>XXXX. Last attempt in writing was XX/XX/XXXX to please close my account and stop fees. Instead, XXXX continues to add fees and refuses to close the account. I am not able to pay the extra fees and they refuse to work on a plan that I am able to pay!</p> <p>XXXX. In addition to a financial strain and mental anguish, I am unable to rebuild my credit as this is reported monthly and they refuse to work out an affordable payment plan!</p>	<p>Service-Member</p> <p>GA</p>
<p>Charged fees or interest you didn't expect</p> <p>8/7/2025</p>	<p>I took out the loan in XXXX with XXXX and I dont have an issue with a reasonable payment. Before my XXXX payment, I changed the due to the XXXX of each month. XXXX 's payment of {\$500.00} came out XX/XX/XXXX. I thought that was a high payment, but doable. I was told the payment would go down some each month. On XX/XX/XXXX, I checked the website and discovered that {\$680.00} was about to be debited the next day. I immediately called them at XXXX and had an expedited message for a supervisor to call me. I wasn't prepared for that high payment the next day. I was getting prepared to pay them XXXX on the XXXX. I called them again on XX/XX/XXXX at XXXX, after XXXX was debited causing my account to be overdrawn. Again I asked to speak to a supervisor. I called again on X/XX/XXXX at XXXX and again at XXXX. Somewhere in here I began reading reviews on XXXX. About XXXX reviews, mostly bad. This is when I discovered things such as money debited before the due date and astronomical statement fees, ( as well as many other bad practices ), and this would be computer generated statement fees! So I look at my statement on the XXXX website and discover a statement fee of {\$390.00)! What? That's more than my car payment! At this point I feel a bit of a scam happening! I also had auto pay turned off and told them to make my due date the XXXX of the month. Yesterday, XX/XX/XXXX, I checked to make sure that they could not automatically debit my account which has been turned off, but the due day still said the XXXX. I changed it to the XXXX myself! I called them at XXXX to ensure that auto debit was turned off. Also I still have not received a call from a supervisor! Apparently, they did send an email but I was not looking for an email and didn't see it. The representative tried to get a supervisor on the phone because I let her know I was gathering info for a class action law suit. Nobody was available, of course. I let her know that I want a phone call, not an email. My statement fee this month is {\$380.00}, still more than my car payment. I plan to make a payment but I am not paying that high statement fee! As of today, XX/XX/XXXX at XXXX, I still have not received a phone call. Thank you for your consideration!</p>	<p>Older American, Service-Member</p> <p>OH</p>
<p>Incorrect information on your report</p> <p>10/21/2025</p>	<p>XXXX paid off earlier in XXXX. Financial institution has received multiple disputes, but there hasn't been any resolution. Goodwill dispute has been offered &amp; rejected as there is " no goodwill program. " XXXX has been fully paid and account is closed.</p> <p>XXXX has not responded nor made any diligently efforts to address.</p>	<p>None</p> <p>TX</p>

Subject : NetCredit Violating Cease-and-Desist and Federal Law Ongoing Harassment and Illegal Escalation of Account To the Consumer Financial Protection Bureau , I am submitting a formal complaint against NetCredit for violating multiple consumer protection laws, including a legally binding cease-and-desist notice that was previously sent to them in writing by my legal representative. Despite this, NetCredit has continued to harass me with emails, threaten to escalate the account, and claim they may send it to collectionseven after the account has already been sent to collections and a payment was received.

This is not only unacceptable ; it is a clear and repeated violation of several federal protections afforded to me, including : Fair Debt Collection Practices Act ( FDCPA ), 15 U.S. Code 1692c ( c ) : Continuing to contact a consumer after receiving a written notice to cease communication is a direct violation of this statute.

Unfair, Deceptive, or Abusive Acts or Practices ( UDAAP ), under the Dodd-Frank Act ( 12 U.S.C. 5531, 5536 ) : NetCredits behavior qualifies as abusive, deceptive, and unfair. They are misleading me about the status of the account, escalating after payment, and threatening duplicate action ( collections ) on an account already placed with collections.

Fair Credit Reporting Act ( FCRA ) : If NetCredit is continuing to report or modify the reporting of this account while it is under dispute and legal scrutiny, they may also be in violation of FCRA provisions.

Please note that this complaint is not a duplicate, even though my prior complaint was marked as such. That complaint dealt with NetCredits illegal loan terms and interest rates. This complaint addresses their direct and willful violation of a cease-and-desist, ongoing harassment, retaliatory account escalation, and collection threats made after : I submitted a cease-and-desist letter via my legal representative Payment was already received on the account I notified them in writing of my intent to file a lawsuit NetCredit is continuing this harassment while fully aware that their actions are being monitored by the CFPB, the XXXX Attorney General, the FTC, and my legal counsel. This is intentional, egregious misconduct and a willful disregard for the law.

I demand that this complaint be escalated and not marked as a duplicate, as the situation has significantly changed and constitutes an entirely new violation. I respectfully request full investigation and enforcement against NetCredit for their repeated, abusive behavior.

5/28/2025 Problem when making payments Thank you for your attention to this urgent matter. FL None

4/22/2025 Money was taken from your bank account on the wrong day or for the wrong amount I tried to get the original agreement to see the days money was originally come out my bank account. Predatory Lending, Criminal Usury & Deceptive Practices by NetCredit I am filing a formal complaint against NetCredit for violating Florida usury and consumer protection laws. CA None

NetCredit charged me an XXXX exceeding XXXX XXXX, far beyond XXXX legal limits. The loan terms were vague, misleading, and I was never provided with a copy of any signed contract.

The lender continues to report the alleged debt to credit bureaus, causing harm to my financial reputation.

These practices constitute : Civil and criminal usury Failure of clear disclosure Unfair and deceptive trade practices Predatory and abusive lending I request investigation, enforcement action, and corrective relief.

12/3/2025 Charged fees or interest you didn't expect Loan Account : XXXX FL None

NetCredit is reporting a negative account on my XXXX credit report that I do not recognize, authorize, or have any verified knowledge of. I have never received a billing statement, written notice, signed agreement, or any legally sufficient documentation regarding this alleged account. The company has furnished derogatory information to XXXX without first providing any verification of the debt, which raises serious legal and regulatory concerns.

As of todays date, NetCredit has not directly communicated with me regarding this debt in any manner required under the Fair Debt Collection Practices Act ( FDCPA ) or the Fair Credit Reporting Act ( FCRA ). They did not send a XXXX validation notice, they did not provide an opportunity to dispute the debt before reporting it, and they continue to report negative information without verifying its accuracy or legitimacy.

I am preparing to send a formal debt validation request and dispute letter to both NetCredit and Experian tomorrow, but due to the severity of this situation and the harm already caused to my credit profile, I am filing this CFPB complaint immediately.

NetCredits continued furnishing of unverified, potentially inaccurate data violates the FCRA, 15 U.S. Code 1681s-2 ( b ), which requires a furnisher to verify the accuracy of information being reported when a dispute is filed or when the debt is otherwise questioned. In this case, they failed to make any such effort and provided no proof of the debts validity.

This account is severely damaging my credit score, affecting my financial wellbeing, and may even involve potential identity theft or misreporting. Until this debt is validated with documentation such as an original signed contract, proof of ownership, and a full itemized accounting, it should not be reported to any credit bureau.

I am demanding that this account be immediately investigated and removed from all credit reports if NetCredit can not produce full and complete documentation validating this debt. The burden of proof is on the furnisher, not the consumer.

7/14/2025 Charged fees or interest you didn't expect I ask the CFPB to enforce compliance with the FCRA and require NetCredit to delete this tradeline if it can not be substantiated with real, documented evidence not assumptions or unverifiable data. NJ None

		<p>I am filing a complaint against CNU of Texas , LLC d/b/a CashNetUSA, a licensed XXXX XXXX XXXX ( XXXX ), and its lender partner XXXX XXXX XXXX XXXX XXXX</p> <p>Date of Loan : XX/XX/year&gt;XXXX Amount received ( Amount Financed ) : {\$800.00} XXXX Fee charged : {\$1100.00} Finance Charge : {\$1100.00} Total of Payments required : {\$1900.00} over XXXX biweekly installments Disclosed APR : 460.63 % Although the contract states a 10 % interest rate from the third-party lender, the mandatory XXXX fee more than doubles the repayment amount. This results in an effective APR exceeding 460 %.</p> <p>I believe this loan is predatory and harmful to consumers, for the following reasons : The XXXX fee structure disguises the true cost of credit while still being required under the Truth in Lending Act.</p>		
9/24/2025	Charged fees or interest you didn't expect	<p>The total repayment of nearly {\$2000.00} on an {\$800.00} loan in less than six months is unconscionable.</p> <p>The loan terms create a cycle of debt inconsistent with the consumer protections envisioned under Texas Finance Code Chapter 393.</p>	TX	None
4/25/2025	Struggling to pay your loan	<p>I petitioned NetCredit for a settlement for the loan in question, after some negotiations we settled on a satisfactory settlement offer. I was told at this time that I had XXXX days from the offer to accept and pay. Before funds were to be paid I asked that the agreement be forwarded to a supervisor as I was also asking for a goodwill deletion to help reduce the negative affects that had occurred to my credit profile. Net credit purposefully delayed a response on my file and retracted their settlement offer. I have brought this to the attention of several members of staff only to be told that I am not eligible for a settlement despite XXXX being negotiated an agreed to. They have now charged off the account which would have been paid in full and are now asking that I pay XXXX dollars for a loan that was originally only XXXX. For clarification the loan was opened in XX/XX/year&gt;. I am calling in to question the practices of this business ( loan shark ) and asking that the appropriate authorities be involved in this matter</p>	MI	None
9/4/2025	Problem when making payments	<p>The website does not work to collect a payment. At the bottom of the page to submit a payment, it has " cancel " then the next line down is " submit a payment. It won't let you fill in the payment, just only hits the cancel button. So I have called in every payment from the beginning. I told the original rep that I needed my pay date to be on the XXXX of the month. I also said I didn't want it on autopay. She said no problem. The next month ( XXXX ) when I log into see by balance, it says it's overdue and has a late fee. I call about that, rep says she fixed it. The following month, same thing. Rep says she fixed it.</p> <p>Last month I called in my payment on the XXXX, I verified it all again with her. I made the online payment, then the next day, it auto deducted the payment anyway. I had to contact an attorney and threaten them for refunding the double payment. That took XXXX days!! I needed that money for other things!</p> <p>Today I logged into my account, and it shows the payment as late, with a late fee. Says it was supposed to be paid mid-month last month.</p> <p>I called and the rep said that because I switched from bi-weekly it wouldn't take effect until the next billing cycle. I never signed up for bi-weekly!! None of the other months showed bi-weekly.</p>	FL	None
		<p>I am writing regarding my personal line of credit obtained from NetCredit via netcredit.com in XX/XX/year&gt;. My account can be identified by the attached contract.</p> <p>I am currently unable to make further payments on this loan. The charges have continued to increase significantly, making it impossible for me to keep up with the payments.</p> <p>My understanding is that while this loan is purported to be issued by a bank, it is believed that a court or arbitrator may conclude that NetCredit is the true lender on these loans. Furthermore, it is believed that the state law of the borrowers residence applies to these loans. If this interpretation holds, the loan may be at least partly unenforceable under my state 's laws, which is Florida.</p> <p>Various states laws establish interest rate caps on loans issued by lenders, and it is believed that XXXX interest rates often exceed these caps in certain states. As a resident of Florida, I would like to draw your attention to the relevant statutes : Florida has a legal interest rate of 12 % and a general usury limit of 18 %. For loans above {\$500000.00}, the maximum rate is 25 %.</p> <p>Source : Florida Statutes 55.03 ( legal and judgment rate ) ; 687.02 and 687.03 ( general usury ).</p> <p>Based on these legal principles and the excessive charges I have incurred, it is possible that I may not owe any further money on this loan, and I may even be entitled to a refund of payments already made.</p> <p>I am requesting a thorough review of my loan agreement and account, taking into consideration the potential unenforceability of this debt under Florida law.</p> <p>Thank you for your prompt attention to this serious matter.</p> <p>Sincerely, XXXX XXXX XXXX</p>		
7/8/2025	Struggling to pay your loan		FL	None
10/27/2025	Charged fees or interest you didn't expect	<p>I accepted a Headway Capital line of credit after being told in writing by a BlueVine representative that the APR shown in the documents was for compliance purposes only and not the rate I would actually pay, while presenting a 3.75 % monthly rate. I even specified in my emails that the interest was far too high. I believe they purposely caused confusion to close a deal. My statements show an APR near 48 %. This is clear, documented misrepresentation.</p> <p>XXXX refunded one {\$8200.00} payment but have been unresponsive regarding remaining interest and fees or closing the account. Both Headway Capital and XXXX XXXX acknowledged receipt of my complaint but failed to respond by my XX/XX/XXXX deadline. XXXX requesting a full refund of all interest and fees and written confirmation of account closure.</p> <p>I applied for a personal loan through XXXX XXXX and XXXX XXXX used a third party to send my application to multiple creditors. All the applications got denied due to unlawful qualifications based upon there on companys policies and not abiding by my consumer rights I contacted them hoping they would fix there mistake but they have not. Each bank that was sent a application are the following XXXXXXXX XXXX XXXX XXXXXXXX XXXX, XXXX Bank they actually sent two applications with XXXXXXXX XXXX and XXXX XXXX XXXX as far as I know of.</p>	TX	None
5/27/2025	Getting a line of credit		FL	None

6/27/2025	Struggling to pay your loan	<p>On XX/XX/XXXX I reached out trying to make payment arrangements for my debt. They sent me an email stating what arrangements could be made. They did not specify in the email when to respond by if I wished to agree to this but the payments would start on the XXXX. I replied on the XXXX that I wish to enter the agreement. Well they sold my debt to a third party on the XXXX. They claim they sent me an email on XX/XX/XXXX stating if I didn't enter into an arrangement by the XXXX it would be sold. I never received the email, or a phone a call. Nor was then mentioned in the email regarding the payment arrangement. It makes no sense to sell the debt if you are going to offer an arrangement after the sell date! This is completely unethical and some sort of phone call or something would have been beneficial.</p>	FL	Service-Member
3/3/2025	Incorrect information on your report	<p>I am filing a formal complaint regarding identity theft and fraudulent accounts opened in my name. I am requesting immediate action to rectify the damage to my credit report and hold the responsible parties accountable. My personal information was compromised online resulting in many fraudulent accounts being opened. The following accounts are fraudulent. I did not authorize these accounts or authorize my information to be used to open these accounts XXXX XXXX XXXX XXXXXXXX {\$3300.00} Pursuant to [ FCRA 15 U.S.C . 1681c-2 ] ( Section 605B ( a ) ), I am providing the following documentation as required for the blocking of information resulting from identity theft : 1. Proof of my identity.</p> <ol style="list-style-type: none"> <li>2. A copy of my identity theft report.</li> <li>3. Identification of the fraudulent information.</li> <li>4. This statement that the information is not related to any transactions I have made.</li> </ol> <p>Also pursuant to [ FCRA 15 U.S.C. 1681c-2 ] ( Section 605B ( a ) ), I demand that you immediately block the reporting of all information related to these fraudulent accounts and the mortgage default, as required by law within 4 business days upon receipt of this letter.</p> <p>I am prepared to pursue all available legal remedies, including those afforded by [ FCRA 15 U.S.C. 1681o ] ( Section 617 ), to recover any actual damages sustained as a result of this negligence and to seek reimbursement for legal fees incurred.</p> <p>I am filing a complaint regarding a line of credit I opened with CashNetUSA on XX/XX/year&gt;. This was originally for {\$1700.00}, but because it was a revolving line of credit, I was allowed to re-borrow amounts as I paid it down. In total, I have borrowed approximately {\$4100.00} through this line of credit.</p> <p>Despite borrowing {\$4100.00}, I have now paid {\$10000.00} toward this loan more than double what I borrowed and CashNetUSA is still claiming I owe an additional {\$2500.00}. This loan carries an APR of 325 %, which I consider predatory and an example of a cycle of debt.</p> <p>I have repeatedly requested that CashNetUSA waive the remaining balance or settle the account fairly given how much I have already repaid. They refuse to do so.</p> <p>Additionally, I have requested a complete payment history multiple times to verify the amounts I borrowed and repaid. Their website does not allow me to see all payments since the loan began, and they have refused to provide this documentation. Without this, I can not confirm the accuracy of their balance or charges.</p> <p>I am requesting that the CFPB investigate this matter and assist me in having the account waived or marked paid in full, given that I have already paid far more than the total borrowed.</p>	AR	None
8/6/2025	Charged fees or interest you didn't expect	<p>I have attached their most recent email response, which restates their contract terms but does not address my concerns about predatory interest, overpayment, or missing payment records.</p>	MO	None
5/2/2025	Charged fees or interest you didn't expect	<p>Interest rates are so high that after 3 payments the balance of the loan has gone up. I borrowed {\$850.00} and am making biweekly payments ranging between XXXXXXXX XXXX and XXXXXXXX XXXX and the current balance is {\$860.00}.</p>	NC	None
3/20/2025	Charged fees or interest you didn't expect	<p>When I first looked at the immediate payback chart the company provided me it seemed straight forward. It was only after signing the loan agreement that I noticed the company was charging much more than initially stated. I feel like this loan is a predatory type loan and the company intentionally doesn't make you immediately aware of the true cost of this loan. Even more concerning to me is Netcredit has gone into my checking account several times and has taken payments of random amounts of money without my prior consent. They also keep changing my payoff amount which should be going down and after 5 months of paying on it my payoff amount is actually higher than my initial credit limit.</p>	OK	None

		contractual relationship with XXXX XXXX XXXX XXXX ( XXXX ) and therefore can not assist me with my concerns. I am submitting this complaint to ask for your help. This is the letter I sent to XXXX for their review before I discovered they can not assist me.		
		Request to Modify Debt Management Plan and Cancel EFT Authorization To : XXXX XXXX XXXX ( XXXX ) Support Department From : XXXX XXXX XXXX Client Number : XXXX Topic : XXXXXXXXXXX XXXX XXXX XXXX ( XXXX ) Loan Amount {\$1300.00} Date : XX/XX/year Request for Urgent Modification of Debt Management Plan Dear Support Team, I am writing to request an urgent modification to my current Debt Management Plan ( DMP ). I have recently added the XXXX XXXX XXXX XXXX ( XXXX ) loan to my plan with a principal amount of {\$1300.00}, along with its minimum payment schedule. Upon reviewing the payment obligations, I realized that the plan is financially unmanageable for me. The unaffordability of the payment schedule was not disclosed until several days after I had accepted the funds transfer. Hardship Arrangement Request Given these circumstances, I respectfully request that XXXX XXXX XXXX ( XXXX ) arrange a hardship plan or another suitable arrangement that will help me manage this debt more effectively and sustainably. Request to Discontinue Electronic Funds Transfer ( EFT ) Authorization Additionally, I am requesting that XXXX assist in discontinuing electronic payments by contacting XXXXXXXXXXX XXXX XXXX XXXX or XXXX to cancel all future EFT authorizations that I previously signed. According to the terms of my EFT agreement, the lender must be notified at least three business days prior to the scheduled payment processing date in order to successfully cancel the authorization.		
9/5/2025	Charged fees or interest you didn't expect	Background of the Loan I acknowledge that my current situation is the result of my own decisions, having responded to an aggressive solicitation for a loan and completing a pre-approved application for {\$1300.00}. Initially, I withdrew a {\$200.00} advance, which resulted in a deposit of {\$180.00} into my checking account. Later, I requested an additional {\$300.00} but was subsequently given the full remaining credit limit of {\$1100.00}. This established my total credit line as {\$1100.00}. Before accepting the {\$1100.00} transfer, I thoroughly reviewed the projected minimum payment schedule, which indicated payments of {\$80.00} for XXXX and XXXX, followed by {\$40.00} as the minimum payment. With the understanding that I could manage this payment schedule, I authorized the {\$1100.00} transfer to my account. Conclusion I am seeking your assistance and guidance in restructuring my debt obligations and securing a modified payment plan that reflects my current financial capacity. I appreciate your prompt attention to this matter and look forward to your support in arranging both a hardship plan and the cancellation of my EFT authorization.	NJ	Older American
8/29/2025	Struggling to pay your loan	Attached are the emails and dates I have contacted the company requesting a new payment agreement. I made a previous one on their " catchup " plan, but it is predatory lending because a catch-up plan is added on top of your regular payment and makes it impossible to afford. On the catch-up plan they play it off as that if will put you in good standing however they continue to report the normal payments past due. Their information is misleading. I have reached out multiple times via email trying to make payment arrangements for one monthly payment to take care of this account, I let them know I only do business via email for my security, so I have documentation. I reach out they email me back telling me to make arrangements, over and over... I am trying to make them, but they refuse to do it via email, and I will not do it by phone because I have already had issues with them not doing what they say they will by phone. This is a predatory company who I am continuing to reach out to setup a payment arrangement, but they will not work with me via email which is a red flag to me their company is not honest.	AZ	None
2/25/2025	Struggling to pay your loan	Predatory lending which i was not aware till later after paying XXXX % of my loan or so i thought.	NJ	None
8/11/2025	Charged fees or interest you didn't expect	I have been making regular payments in the amount of {\$190.00} every two weeks on a {\$7400.00} loan, since XX/XX/year>. In the two years of making payments, at an interest rate of 64.79 %, there is still a remaining balance of {\$6300.00}. This is just {\$1000.00} off the initial loan amount, when I have made over {\$9000.00} in payments. The interest rate seems to be in violation of the XXXX XXXX XXXX XXXX, which I believe allows a maximum interest rate of 18 %. The terms are extreme and appear to be designed to defraud the borrower. I have contacted XXXX by email as well as by telephone to ask for a settlement, but they have stated that my account does not qualify. I feel I have no other choice than to file a complaint in hopes of having this resolved fairly.	TX	None
10/7/2025	Problem with the payoff process at the end of the loan	I signed a Loan agreement w XXXX on XX/XX/year> in the amount of {\$4800.00} to be paid every 2 weeks from my paycheck. XXXX shows the XXXX XXXX XXXX XXXX XXXX is the creditor. I have paid since then and even made extra payments, considering the charge me APR of 64.68 %. I want to pay off this Loan, I have contact XXXX multiple x, w emails and phone calls,. They say I will have to pay an extra penal fee if I decide to pay it off before the regular period of the contract and they say it varies depending on the day of the month. I contact XXXX XXXX and I was told they are not the creditor. I offered {\$1500.00} to pay off the loan and XXXX responded that my agreement does not qualify for a discount and the remaining balance should be aprox {\$2000.00}. Please help me to get this resolve. Thank you. XXXX XXXX	FL	Older American

), I am writing to file a complaint against NetCredit regarding loan account number XXXX. I believe this loan violates Florida 's usury laws due to its complex and potentially deceptive fee structure.

Effective immediately, I revoke all authorization for NetCredit to debit my bank account via electronic funds transfer ( EFT ) associated with this account. I demand written confirmation within 14 days that all automatic withdrawals have ceased.

While NetCredit does not disclose a traditional interest rate, their fee structure raises serious concerns about potential usury. They impose a 10 % upfront " Cash Advance Fee " and a recurring " Statement Balance Fee, " both categorized as finance charges. I believe these fees, tied to the principal and loan duration, effectively function as interest. Florida law looks beyond labels to the substance of the charges.

The " Statement Balance Fee " calculation is particularly complex, based on billing cycles, balance tiers, and a " Fee Saver " program. This obfuscates the true cost and effective annual percentage rate ( APR ), which I suspect is a deliberate attempt to confuse borrowers. While the " Fee Saver " program can reduce fees, its complexity further obscures the potentially high initial fees.

Without the specific fee schedule from my Account Opening Disclosures, calculating the precise APR is difficult. However, based on the fee structure, I believe the effective APR, especially for smaller, shorter-term loans, likely exceeds Florida 's usury limits.

Under XXXX Statutes XXXX, interest is capped at 18 % per annum for loans under {\$500000.00}. My loan principal is less than this amount, meaning the charges, if deemed interest, would be unlawful. Furthermore, the potentially high XXXX XXXX constitute criminal usury under XXXX XXXX XXXX ( XXXX ), which sets the limit at 45 % per annum.

I assert that this loan is usurious, void, and unenforceable under Florida law. I demand a refund of all charges exceeding the legal interest limit and intend to pursue all available statutory remedies under Florida law, including potential forfeiture of the principal.

4/29/2025	Charged fees or interest you didn't expect	I request the FTC investigate this matter and take appropriate action against NetCredit. I am prepared to provide further documentation as needed.	FL	Service-Member
6/11/2025	Incorrect information on your report	The account should have been charged off accounts required couple of years ago. The last payment was made in XXXX but the company keeps reporting the account either XXXX or XXXX days past due. The account is technically over XXXX days past due. I settled the account u der a pay and delete arrangement and nothing has been updated with the bureaus.	GA	Service-Member
5/13/2025	Struggling to pay your loan	I requested a new payment amount per month due to being laid off. They will not agree to this and just offer to change the date of payment for a few days which does not help. I am paying {\$410.00} per month which I can not afford. I have requested a decreased monthly payment amount which they will not agree to. I will have to default on the loan if they will not agree to a lesser amount. I have always paid on time and they are getting an insane amount of interest from me for this loan.	TX	None
5/15/2025	Charged fees or interest you didn't expect	I didnt understand that the payment terms were so high and that the interest isnt really an interest rate but a statement fee. I will never pay this off. Its over XXXX a month when I understood it to be XXXX or so a month.	IN	Service-Member
10/1/2025	Problem when making payments	I notified cash net USA that I would like to decline any future automatic payments from my checking account. I notified them by email and received a response that they will no longer run any automatic payments through my account, but today they ran an automatic payment through my checking account.	MS	None
		I was offered a business line of credit from Headway Capital and was told the APR was 72.10 % annually. Based on that representation, I moved forward. However, after making over {\$35000.00} in payments, my loan balance still shows nearly {\$50000.00} owed essentially unchanged.		
		My monthly payment is {\$4700.00}, which adds up to over {\$57000.00} annually far more than the original loan and well beyond the APR I was told. This means the actual effective APR is over 130 %, possibly higher when factoring in fees and daily compounding. These terms were never clearly disclosed.		
		This feels like a predatory and misleading business loan. I requested a breakdown and payoff schedule, and they failed to provide it. Ive since formally disputed the loan and requested resolution. The structure mirrors the deceptive practices that led to prior CFPB enforcement against their parent company, Novoa International.		
7/16/2025	Charged fees or interest you didn't expect	I am asking the CFPB to investigate this situation and help ensure Headway Capital can not continue these practices. I took out an online loan from XXXX in XX/XX/year>, which is backed by XXXX XXXX ( a XXXX institution ). I'm in Florida. The structure of the loan has resulted in extremely high costs that I believe are predatory and abusive.	FL	None
		Over the course of about 11 months, I have paid over {\$2700.00} in fees and minimum payments. Despite this, my current balance remains {\$1700.00}. This means I have paid more than the amount I initially borrowed ( about {\$2600.00} ) and still owe a significant balance without substantial principal reduction.		
6/6/2025	Charged fees or interest you didn't expect	The loan includes a recurring Statement Balance Fee that does not reduce principal and is assessed monthly based on the balance. This structure effectively results in an APR far above 100 %, which violates Floridas consumer protection standards and is unaffordable.	FL	None
3/27/2025	Problem with cash advance	Took out a line of credit, however Inhave never used it and don't know how to use it. I can't get in contact with them. When you call it says " wait time is XXXX minutes " They take out {\$83.00} a month, but I have never used them.	FL	Service-Member
		On XX/XX/XXXX I called and requested to get my personal line of credit to be stopped due to financial hardship. I was simply asking to get my line of credit to be put into a state of forbearance or deferment to stop accruing the ridiculous 299 % APR I had on my line. It was bloating too much for me to reasonably pay. They gave me an option to stop the auto pay but that's it. My line of credit would still be charged interest and now I'm also going to have have pay a fee for late repayment. Eventually I figured that I wasn't going to be able to pay them back and called on XX/XX/XXXX to request my account to be put into collections before it ballooned into something I couldn't reasonably pay in the eventual outcome that it would be put into collections. I knew if I didnt win the lottery or got some serious financial help it would balloon into something so big I couldn't reasonably pay it without going bankrupt. They declined and said that they can put that note into my account but thats it. So I had a credit line of XXXX dollars and now I have to pay them back XXXX dollars because they refused to give me any leniency or assistance when I needed it most.		
12/2/2025	Struggling to pay your loan		WI	None

2/26/2025	Received a loan you didn't apply for	I was trying to get an ex girlfriends cousin to fix my credit on XXXX XXXX and all these things started to pop up and appear on my report. I've still been mourning the loss of my fiance now all this.	FL	None
6/23/2025	Charged fees or interest you didn't expect	I was in need of assistance to pay my mortgage and provide food for my family. I received a mailer from NetCredit with what appeared to be a favorable interest rate, and I had seen their advertisements on TV. I realize now that I should have conducted more thorough research. I took out a {\$4000.00} loan with biweekly payments of {\$100.00}. However, since XX/XX/XXXX, I have only seen {\$7.00} {\$9.00} being applied toward the principal. If I make an additional payment to reduce the principal, they only accept an amount equal to {\$100.00}. I was unaware that the company had numerous predatory lending cases against them. When I reached out for assistance, I received no support.  I have made {\$1900.00} in payments so far, and my current principal balance is {\$3800.00}. This situation seems unreasonable, as I have been making payments since XXXX of XXXX.  I require assistance, as I can not continue making these payments without seeing any reduction in my principal balance.	NJ	None
3/20/2025	Problem with a company's investigation into an existing problem	I made payments to this account with a debit card I had to call in to authorize. I could not update or change my account payment method information despite being advised to do so. There was some type of restriction or technical error with my account causing the system to reject my debit cards even though the funds were available and there was no spending limit restrictions on my account for what was needed for the transaction. Netcredit repeatedly instructed me to contact my bank and I did several times in which the verified there were no holds on my account. I also used the same cards at different merchants with no issues. while I'm dealing with the issue and hardship to make the payment netcredit reported payments late to my credit and are continually refusing to acknowledge rejected my debit cards over 10 times	TX	None
8/12/2025	Struggling to pay your loan	In Tennessee they can not exceed over XXXX for a payday loan, they gave me XXXX. Mind you I was about to be homeless so I applied while in an emotional state. Now they are making me pay almost XXXX dollars every XXXX weeks which leaves me with XXXX to live off of with my other bills.	TN	None
7/3/2025	Charged fees or interest you didn't expect	I am filing this complaint to dispute excessive and unfair finance charges on my XXXX account. I took out a line of credit with a limit of {\$850.00} and have been making payments since XX/XX/year>. Despite regular payments, my current balance is {\$670.00} and Ive been charged over {\$560.00} in fees this year alone.  In my most recent billing cycle ( XXXX ), I made two payments totaling {\$100.00}, yet a {\$35.00} Statement Balance Fee was added. These fees are charged monthly regardless of my payment activity and are excessive. The structure of these fees and interest essentially makes it impossible to pay down the loan.  Please investigate and help resolve this issue. This debt is unaffordable, and the business practices involved are exploitative.	FL	None
9/11/2025	Charged fees or interest you didn't expect	I took it this loan as they advertised it would help improve your credit. I had no idea I would be paying backing approximately {\$3000.00} on a {\$3100.00} loan. I have paid off about {\$2500.00} but still owe in excess of {\$3200.00} with fees being added daily/ monthly. I was given the understanding that this installment loan was around 35 % interest, but not aware it was being charged a lot higher than a typical credit card company.  This is a predatory loan company with such high interest, fees and additional charges. They are unwillingly to be reasonable in lowering the pay off amount or in any way negotiating the principal balance. I am using a debt management company for my other bills, but XXXX XXXX will only extend the payment, not lower the principal. I am on social security and dont want a payment forever, without paying off the loan.  No statements have ever been sent to me with the balance reflecting monthly or quarterly charges, I have requested this from the company. I would like full transparency on all the charges they have assessed to my account.	IL	Older American
3/21/2025	Problem with additional add-on products or services	XXXX XXXX charging excessive for statements that you see online only and payments are extremely high with these statement fees unsure how much the statement fees are	VA	None
7/4/2025	Incorrect information on your report	on or around XX/XX/year>XXXX someone opened up a line of credit and withdrew {\$2700.00} in my name, when i found out about it i contacted the company and asked them to please cancel the credit account and that it was 100 % fraud but apparently they left the account opened and has incurred another XXXX since i can not access the account i have no idea how or why ( XXXX XXXX )	FL	Older American, Service-Member
6/16/2025	Problem with a company's investigation into an existing problem	I have sent 10 letters in the past 5 years to no avail. XXXX refuses to provide or remove the inaccurate reporting or provide proof of investigation	VA	None
9/29/2025	Charged fees or interest you didn't expect	I am filing a complaint against XXXX regarding the deceptive practices related to their " high yield interests and extra fees. XXXX XXXX misrepresented the account as having one of the nation 's highest interest rates, yet failed to notify accountholders about the superior rates offered. This deliberate obscurity and lack of transparency violated consumer trust and resulted in significant financial losses for many, breaching the Consumer Financial Protection Act and the Truth in Savings Act. I seek redress for the misleading practices and failure to fulfill their regarding the deceptive practices related to their high interest " rates and fees accounts. This deliberate obscurity and lack of transparency violated consumer trust and resulted in significant financial losses for many, breaching the Consumer Financial Protection Act and the Truth in Savings Act. I seek redress for the misleading practices and failure to fulfill their advertised promises.	VA	None

		I am writing to formally file a complaint and request assistance regarding a loan I obtained from XXXX XXXX XXXX, XXXX, serviced through XXXX XXXX. I am a resident of Virginia, and I believe this loan was extended to me in violation of Virginia law.		
		The loan agreement contains a Cash Advance Fee of 10 % deducted upfront, and recurring Statement Balance Fees that can exceed XXXX of dollars per month, rather than a disclosed annual percentage rate ( XXXX ). This fee structure makes the effective XXXX vastly exceed XXXX legal cap of 12 %.		
		The agreement claims that the loan is governed by Utah law, despite being extended to me as a Virginia resident with no meaningful connection to Utah. I understand that Virginia courts have ruled such choice of law provisions unenforceable in similar cases against XXXX.		
		The contract also contains waivers of jury trial and class action rights and requires mandatory arbitration, which prevents me from seeking relief through the courts.		
8/22/2025	Charged fees or interest you didn't expect	I recently learned that XXXX and XXXX XXXX were subject to enforcement action by the Virginia Attorney General for issuing illegal predatory loans to Virginia consumers. I believe my loan falls within the same unlawful practices.	VA	None
		I currently have a loan with XXXX, but I have been locked out of my account and can not access any information about my loan. I can not view my balance, payment history, interest rate, or scheduled payment dates. Despite this, XXXX continues to automatically withdraw payments from my bank account every two weeks.		
		I have attempted to regain access to the account without success. I have not been provided with a full account statement or breakdown of payments, and I have no way to monitor or manage the account. This lack of transparency and access is unacceptable, especially when funds are being withdrawn regularly.		
5/10/2025	Problem when making payments	I am formally requesting that XXXX restore access to my account, provide a full statement including total payments made and remaining balance, and honor my right to revoke any future automatic payments.	OK	None
		They gave me an interest rating at 99.8 % interest rating almost 100 %. As I looked at the laws in the Florida I found out that that interest rating is illegal in the state of florida. They told me to XXXX them. I don't have the money to sue them so a lawyer told me to follow complaint with the state of Florida because those interest ratings in Florida are illegal. No interest rating can be above 18 % on (\$500000.00) that's what my lawyer told me. I spoke to them on XX/XX/XXXX and they will not respond back to me about the illegal interest ratings		
4/28/2025	Charged fees or interest you didn't expect		FL	None
		When I went to make my first payment I was astounded to see the amount of interest I had been charged and realized that my monthly payment was much larger than anticipated ( over \$700.00) on a (\$2000.00) line of credit ) I reached out to them and informed them that I could not make the payment and that the interest that was charged was surprising to me. I then requested a modified payment plan and let them know that I was more than willing to pay the debt I had borrowed plus a reasonable amount of interest but that as the interest was currently accruing it was not feasible for me. They responded with a denial of any willingness to negotiate terms. I tried again to reach out to them via email and received the same response. They told me that I had signed the contract so I must pay and that if I didnt understand the contract then I shouldnt have signed it. I then let them know that the wording of the contract felt like it was intentionally confusing and that I would be reporting them to consumer protection agencies.	UT	None
2/25/2025	Charged fees or interest you didn't expect			
		I took out a line of credit with CashNetUSA but fell into financial hardship. I revoked XXXX authorization and requested a written hardship plan that would allow me to make reasonable payments while freezing or reducing interest so my balance wouldnt continue to grow.		
		I contacted the company multiple times via email to request assistance and explain my situation. On XX/XX/year>, they offered a payment plan but said they would not stop interest from accruing, meaning the balance would continue increasing even while I paid. They also refused to discuss hardship options through email and insisted I call, despite my clear request for written communication.		
		I asked for more affordable terms and to pause interest due to hardship, but they denied this and said they can not reduce or freeze interest. As of today, the balance has grown significantly and is unaffordable, even though I am willing to make regular payments.		
8/4/2025	Struggling to pay your loan	This feels predatory and uncooperative, especially since I am making an effort to repay. I am requesting that CashNetUSA offer a fair hardship plan in writing and stop charging interest while I actively repay the past-due balance.	SC	None
		On XX/XX/year> I got approved for a cash advance loan with XXXX for \$700.00). I was making my payment of \$100.00) to pay it off, but when i notice that the loan was barley getting paid off. i contacted them on the problem and they said the majority of half of the payment was going to the processing fee and the other amount was going to the loan. I asked them over 4 times if they could send a copy of the sign contract to my address and i never received a copy. I spoke with someone today XXXX XXXX. They said the longer i miss payments the interest fee loan will go higher. They also said that they will not offer a lower settlement payoff		
4/11/2025	Charged fees or interest you didn't expect		AR	None
		I have tried to work with this company for a year now on getting something setup for my account. We were scammed by a home addition contractor in XX/XX/XXXX, and I paid monthly on this loan, even though the money was not there because we were scammed, up until I tried to setup a settlement payment plan in XXXX, XXXX. At that time, the agent on the phone told me that I could pay a lump-sum settlement amount, which I couldn't afford, or I could start paying on the full principal amount. I agreed to that, and started paying on the principal amount of \$8100.00). I later found out that the principal amount ballooned to (\$12000.00), and I have only been paying on " interest and fees " on this amount, since last XXXX. See screenshot of that current amount.		
		I have worked hard for the last month to try and setup a settlement payment plan for (\$5000.00), payable at the same monthly payment of \$240.00), until \$5000.00) is paid off and the account closed. The company initially rejected this, then agreed to it, in writing, but stated that I would have to " call in to finalize the plan ". I called in on XX/XX/XXXX, but the agent told me the \$5000.00) proposal is " being rejected because I have to pay this amount within 90 days. I told the agent this was unacceptable, and that I have it, IN WRITING, that a \$5000.00) settlement proposal was accepted, with monthly payments of \$240.00), until the \$5000.00) is paid off. She, and a " manager ", both stated that this would not be honored. I told her I have it in WRITING that this proposal was accepted, and I even forwarded the screen shots to her, to which she stated it would have to be " paid within 90 days ", and that the \$240.00) monthly payment would not work. I sent another email right after that regarding the phone call, and received an email on XX/XX/XXXX from the " final resolution " department, stating that they had received my complaint and that I " would hear back within 10 business days ". I also included screen shots of the emails stating that the (\$5000.00) settlement amount, payable at \$240.00) monthly, would be accepted. The 10 business day window has passed, and I have not heard any reply from this company.		
4/10/2025	Struggling to pay your loan		OH	None

		I obtained a loan through XXXX, which indicated on the promissory note that it was under XXXX XXXX. However, I have since become XXXX and reached out to settle the loan. XXXX informed me that they can not assist. When I contacted XXXX XXXX, they were unaware of who XXXX is. It appears that I have fallen victim to a " XXXX " scheme, and I would never have signed the loan documents if I had known this.		
5/22/2025	Struggling to pay your loan	Shows on my credit report as XXXXXXXX XXXX  : XXXX Email : XXXX Date : [ XX/XX/XXXX ] Company/Entity Complained Against : XXXX ( operated by XXXX XXXX XXXX XXXX XXXX XXXX Bank XXXX XXXX XXXX XXXX XXXX Complaint On XX/XX/XXXX, I entered into a revolving line of credit agreement with NetCredit.com, managed by XXXX Bank XXXX XXXX XXXX XXXX This agreement contains predatory terms, excessive fees, and abusive contract conditions, which I believe are in violation of federal consumer protection laws.  This complaint is connected to a prior CFPB complaint ( # XXXX ), submitted on XX/XX/XXXX, in which I raised similar concerns regarding another NetCredit loan. The company has demonstrated a consistent pattern of deceptive lending practices and failure to provide fair terms to consumers.  Main Issues : Excessive and Deceptive Fees : A 10 % fee is charged for each cash advance.  An ongoing XXXX XXXX XXXX, calculated monthly, can reach up to \$ XXXX if the balance is high.  These fees were not clearly disclosed before or during the signing process.  No XXXX XXXX XXXX XXXX : Despite timely payments, the balance grows instead of decreasing, trapping me in a cycle of debt.  This structure is designed to maximize fees and delay principal reduction.  Usurious Effective XXXX : I estimate the actual XXXX exceeds 160 %, far above reasonable and lawful limits.  The high cost of borrowing was not clearly disclosed, violating Truth in Lending Act ( XXXX ) principles.  Abusive Contract Clauses : Forced arbitration clause, waiving my right to go to court.	FL	Service-Member
3/23/2025	Charged fees or interest you didn't expect	Waiver of jury trial and class action rights, limiting my legal options.	NJ	None
2/23/2025	Received a loan you didn't apply for	In XXXXXXXX XXXX I received a letter from Cashnet saying I owed them over XXXX I have never asked for nor received a loan from Cashnet ( or any other payday loan service ).. I tried calling them and the automated message said I owed them even more than the amount listed in the letter. Than a representative got on the line and gave me a different amount of money owed than that in the letter or the automated response. They said to freeze any unauthorized payments, I would have to file a police report. I did and sent them a copy on XX/XX/2024. Since then, this company has been calling me XXXX to XXXX times a day. I always block their number, but they must have hundreds of numbers. I need them to stop this fraudulent claim and stop blowing up my phone.	WI	None
8/24/2025	Getting a line of credit	I applied for a XXXXXXXX XXXX XXXXXXXX card since. I had identity theft and fraud. When I applied it stated that I have a loan with Netcredit XXXX XXXX XXXX. XXXX XXXX XXXX, Illinois XXXX. I have never had a loan with anyone. I pay everything cash. I tried to XXXX and it XXXX and scans states to contact them which I did have not return call or email. I emailed the @ XXXX. I ah e not been able to get my entire credit report. My annual credit report in years please help!	TX	Service-Member
11/22/2025	Loan payment wasn't credited to your account	I filed XXXX XXXX XXXX XXXX XXXX XXXX they got paym ents thur the trustee until XXXX of XXXX I lost job cant pay. They say I owe almost 2 times as much as I borrowed on my credit report states.XXXX.	KY	Older American
7/12/2025	Getting a line of credit	I submitted an application for a XXXX XXXX through CashNetUSA and have received multiple denial messages containing conflicting and inaccurate information. XXXX email said I was ineligible due to a previous application or loan. Another stated that my identity could not be verified. A third claimed I had already submitted an application. These responses contradict each other and do not reflect my actual experience.  I have not received a loan through CashNetUSA, not applied multiple times, and not communicated with any representative yet their emails suggest otherwise. I have contacted their support team multiple times by email and phone seeking clarification. My emails have gone unanswered, and phone representatives simply repeated vague or scripted responses without offering resolution.	TN	None
2/27/2025	Struggling to pay your loan	I struggled to repay my loan and now the company is harassing me with phone calls. I'm getting more than three calls per week and they call from a different number each time. I tried blocking the number but then they just call from a different number.	IN	None
8/14/2025	Charged fees or interest you didn't expect	NetCredit is predatorily offering what they deem as lines of credit. What they actually offer is an installment loan with outrageous interest rates disguised as a line of credit. You take out a cash advance for this line of credit but from that cash advance they take a 10 % origination fee. So already youre short 10 % of the amount you borrowed as a way of getting the money. Afterwards, each payment is made with only a small percentage of the payment made each month going to the actual principal. All of the rest is going towards interest that is cleverly hidden by way of a Statement Balance Fee. So for example, an advance of XXXX \$ if paid off monthly will become well over XXXX XXXX Much more interest than is legal in XXXX. They are not licensed to be a lender in XXXX and I believe are partnering with a bank to be able to skirt around XXXX usury laws by falsely advertising their services as a line of credit rather than an installment/payday loan like it actually is.	FL	None
8/12/2025	Charged fees or interest you didn't expect	I was incorrectly charged a statement balance on or around XX/XX/year>. Prior to that I used net credits website to delay my XX/XX/XXXX payment until XX/XX/XXXX. I should not have been charged a statement balance fee until after XX/XX/XXXX payment date. I sent an email disputing this fee and demanded a refund.	OH	None

6/25/2025	Incorrect information on your report	I was contacted about being late for a payment on a line of credit I had supposedly opened. NetCredit asked for my social security number email address physical address. I felt like it was a scam because if a company had opened a line of credit I felt like they would already have this information. I told them they had the wrong person and that I had not opened an account with them. They told me to clear everything up I'd need to file a police report email it to them and after they conduct their investigation then and only then would they allow me to write letters to all effected credit bureaus and they'd initial the letters. After emailing the report I was told they couldn't except the email because it was from my work email not the one they had on file. ( Which I had to give them for them to email me the instructions to submit the report. ) I was then told I needed to give them my bank account number. I refused because they have turned me over to collections and I'm not giving them anymore information to use against me. They also told me I would need to include the bank account number that was used to setup the account. I told her I didn't open an account so how could I possibly know what account number was used if it wasn't me that setup the account. My credit score has fallen XXXX points and I'm in collections for a line of credit I did not open. According to them the account was opened XX/XX/year for {\$6900.00}. I was contacted in XXXX about being late for a payment. I told them it wasn't me. The account was turned over to collection and notice of right to cure default was sent on XX/XX/year. They're making no attempt to correct their reckless mistake but instead are making me waste a lot of time and energy to clear my name. They obviously know the account this line of credit is connected to and aren't trying to go after the person they sent the money to.	TN	None
2/27/2025	Struggling to pay your loan	Struggling to pay this because the APR is so high and I can not catch up on other stuff because I did not know about the APR until the last moment because nobody told me after I had to call a phone call back	TN	None
4/28/2025	Charged fees or interest you didn't expect	XX/XX/XXXX took out initial {\$1400.00} line of credit As of XX/XX/XXXX {\$1100.00} in fees have been paid along with {\$1500.00} in monthly payments totalling {\$2600.00} that he has paid to this company on a {\$1400.00} loan. There is still an {\$890.00} balance on this loan. How is this legal?	FL	None
		I am filing a complaint against NetCredit regarding their line of credit account ( Account # XXXX ). I originally borrowed approximately {\$2100.00} but have since made regular biweekly payments of around {\$170.00} {\$180.00}. Despite this, my balance has barely gone down over time.		
		NetCredit has charged me excessive and recurring Statement Balance Fees and XXXX XXXX Fees that significantly reduce the impact of my payments. This structure has kept me trapped in a cycle of debt and feels financially abusive and predatory. In just a few months, I was charged over {\$1200.00} in fees, while my principal remained nearly the same.		
		I have formally requested the closure of this account and clearly informed NetCredit that I will not be making any further payments. I also revoked their access to my bank account under the Electronic Fund Transfer Act. They responded only by canceling XXXX but continue to treat the account as active, attempting to pressure me to pay with threats of credit reporting.		
4/12/2025	Charged fees or interest you didn't expect	I am requesting the CFPB to investigate this company's lending practices. I also request that my account be closed and reported as paid/settled, without further damage to my credit report. I am willing to submit documentation of my payment history and statements showing the fees and minimal principal reduction.	CA	None
		I took a loan out of approximately XXXX XXXX Essentially they use a loophole called a CAB fee to not be titled XXXX. So I take the loan and see they have prorated fees, so I go okay XXXX take this loan out and pay it off by the first payment to only pay like XXXX \$ in fees. XXXX is the deadline and I have enough money to pay it But they already pulled from my checking account and it was pending New balance of XXXX I know my checking doesn't have money so I call them to tell them hey can I make an overpayment with my other account to settle the balance? The pending payment is going to bounce, can I overpay it so that way XXXX covered and its paid off. They tell me no I can not do that. I say can I speak to your supervisor? They say she will call you back within 10 days.		
		How is this legal? Everything they do makes it so that you hit the next echelon of fees.		
		I made good faith in trying to pay it off on time and avoid all of this. I had the money, I attempted and they wouldn't let me. Then when the supervisor called, it was only for like XXXX seconds! I couldn't even get to the phone in time to answer she hung up so fast. So now I called today and tried to explain to them, hey I tried to pay this off in full, etc. can you waive the XXXXXXXX XXXX increased fee? I tried in good faith to pay you your money and you literally wouldn't let me.		
		She said no, there's no way out of paying the increased fee. I called her predatory and she said CASHNETUSA is not predatory. That is absolutely insane, I don't know how this is legal, they want to charge me XXXXXXXX XXXX fee for a XXXXXXXX XXXX loan.		
11/7/2025	Charged fees or interest you didn't expect	Anyways I feel that I am entitled to a reimbursement of the additional fee I incurred. I did everything in my power to make it right and pay them their money before the deadline. Instead I got told no over and over and that it takes XXXX days to talk to a supervisor? And their company isn't predatory?! Absolutely insane.	TX	Service-Member
11/11/2025	Struggling to pay your loan	Thanks for your time, I hope you have a wonderful day. I obtained a loan through XXXX XXXX. The rate is way too much for me to keep up with and I believe this may violate state usury limits. I also feel the loan terms were misleading or predatory.	IN	None
7/29/2025	Struggling to pay your loan	Im struggling through life with this loan and would like for them to forgive this. The amount was for {\$3800.00}. Obtained this sometime in XXXX of 2025.	TN	None
9/23/2025	Improper use of your report	I have had issues repaying my loan, and when I have called to try and get this fixed, they say there is no way of lowering my payment or offering a payment plan. I notice net credit on credit account and they reported a missed payment I have never used them and tried to explain to them to cancel it and how tried to figure out how I supposed gotten the loan and is there a way to settle the debt due to them continuing hurting my credit. They said no and refused to help me XXXX harassed me on the job and called about. A late payment. Made me lose my job	FL	None
3/20/2025	Struggling to pay your loan	I informed CASHNETUSA that I was in between jobs and they did not care. They wanted me to do a payment plan that I could not do. When they discussed this with me they asked me how I was going to be able to pay back the loan and I was not able to because of the issue with my employer. They suggested I do XXXX XXXX XXXX to pay it off and I am not able to do this. I would like this loan to be dismissed.	WI	None

4/1/2025	Struggling to pay your loan	Account got hacked fraudulently and they would not work with me on it. I want this removed from my credit report.	IL	None
		XXXX XXXX {\$3200.00} XXXX XXXX. {\$1000.00} XXXX. {\$3100.00} Date of loan Approval : XX/XX/year> XXXX payments of {\$260.00} made.		
9/22/2025	Charged fees or interest you didn't expect	Last payment was made on : XX/XX/year> This company is charging an extremely high interest rate, like a Loan Shark!!! Please help me XXXX XXXX XXXX XXXX XXXX	FL	Older American
		XX/XX/XXXX I had my identity stolen. Someone hacked into my Sims card. Went into my bank account. Went into my emails. Tried to open credit cards. Tried to take out loans. They successfully got XXXX through XXXX XXXX for around {\$3100.00}. I called XXXX XXXX as soon as i got my phone unlocked & told them what happened. They told me they were going to send a paper to my email so I could make a police report with it & once i did that to send the police report to them bc this stuff happens all the time. Sadly I didn't know they had hacked into my emails. So I had to call them back and have them resend it to my boyfriends email so I could make the police report. So that same day I did the police report. I filed paper with with the FTC tell them what was going on. Froze all my credit scores. Then I figured out a couple days later the hackers had made another bank account in my name and that's where the loan had went. Once I figured that out I shut down the account & put it into an investigation as well. I have talked to XXXX XXXX EVERY time they have called & want money. They keep saying there is no proof that this was an identity stolen situation & they think I took out the loan. My daughter is XXXX! I can not work! I don't have a job. I have no money to give. If I wanted to take out a loan I couldn't. This has been a nightmare! They have ruined my credit through all of this.		
6/17/2025	Problem with a company's investigation into an existing problem	The bank account opened that wasn't mine was through XXXX. I've talked to them a lot as well & I've gone into the banks trying to get info. But the account was open all online so they can't trace who it was. A nice lady gave me her name & direct line to give to XXXX XXXX so we could get it all figured out bc there was a remaining balance in the account. Not all of the loan was taken. So XXXX XXXX had received some of the money back. Even with all of this XXXX XXXX still sends me emails saying there isn't enough proof!	OH	None
6/23/2025	Charged fees or interest you didn't expect	I initially contacted this Cashnet and was approved for a {\$2200.00} loan that I could draw off of because I was in a a desperate situation at the time. Since then the company has been taking payments in excess of {\$750.00} every couple of weeks until i stopped these withdrawals through my bank. After getting a second mortgage on my house and checking to see what the balance was at the time ( {\$2600.00} ), I paid Cashnet {\$1300.00}. My balance is still {\$2600.00}. The company charges {\$1700.00} interest every day, And even though I have so far in excess of {\$6000.00}, I still owe more than the original loan.	AL	Older American, Service-Member
4/1/2025	Received a loan you didn't apply for	CashNetUSA allowed an entity to create an account and take out a loan using my information without my knowledge. The exact date this happened is unknown since I can't get in contact with a person at the company. I suspect it happened a few months ago mid XXXX since my data was included in a large data breach. My first contact with the company was a letter to my home address from a debt collector, received XX/XX/XXXX, that had a demand for repayment. I tried calling the same day and was unable to reach a live person. I emailed the same day explaining the situation, made my request for information, and demanded that they terminate the account and blacklist my information. I received no contact from the company in response as of this report XX/XX/year>.	ID	None
11/3/2025	Incorrect information on your report	I was late on my payment due to the account being down and did a payment plan to repay this amount, and then despite doing the payment planning and paying it off and the account as a whole, the reported that month as late and would not do a goodwill payoff and so my credit was negatively impacted. And all of this is impacting my ability to purchase my home.	TN	None
11/22/2025	Charged fees or interest you didn't expect	Received a call about an unpaid payday loan from a XXXX area code number and they said i owe a company named cash net usa around {\$1000.00}, I called the company cash net usa to see if i owe and they said I don't .. they are threatening legal action and I don't know what to do	CA	None
10/15/2025	Getting a line of credit	I'm XXXX XXXX and in a XXXX XXXX full time. I'm an XXXX and a severe XXXXXXXX XXXX. I receive SSDI and only a small amount every month. A little over a year ago I started receiving envelopes in my he mail saying I was guaranteed an approval for a loan. Thinking it was junk mail I continued to throw them out every month they showed up in the mailbox. I never opened them because I knew they were junk mail and I would never take a loan out like this. Ever. Just last week I had to place a freeze on my late wife 's credit score. I saw that CashNetUSA has been running my credit every month for the last 19 months. How they received my personal information I don't know. I have tried calling them however they want the last XXXX digits of my Social Security number before I can speak with someone. I am not comfortable providing this information and so I can not actually speak with someone. This is definitely identity theft. I appreciate your help.	SC	None
2/23/2025	Charged fees or interest you didn't expect	Obtained the loan in XXXX of 2023 and continuously made regular payments with the balance almost being paid off. They changed the interest rates and charged higher " service fees ", making the loan impossible to pay off at a 299 % interest rate with a {\$150.00} service fee that they do not put it on your statements. When you try to communicate with them about the changes, they tell you they can not do anything to change and or fix the balance do. They are a predatory lender.	KS	Service-Member

		<p>The origination date is XX/XX/XXXX for the loan. According to the loan agreement terms are bound by Ohio law. XXXX XXXX XXXX XXXX XXXX have violated Ohio statute Section 1321.02  Small loan license requirement. XXXX XXXX XXXX XXXXXXXXXX XXXX has a small loan license in Ohio.</p> <p>The law states ; No person shall engage in the business of lending money, credit, or choses in action in amounts of XXXX XXXX dollars or less, or exact, contract for, or receive, directly or indirectly, on or in connection with any such loan, any interest and charges that in the aggregate are greater than the interest and charges that the lender would be permitted to charge for a loan of money if the lender were not a licensee, without first having obtained a license from the division of financial institutions under sections 1321.01 to 1321.19 of the Revised Code.</p> <p>Any contract of loan in the making or collection of which an act is done by the lender that violates this section is void and the lender has no right to collect, receive, or retain any principal, interest, or charges.</p>		
3/29/2025	Problem when making payments	I was unaware that the fees would operate like interest. The loan contract is null and void because they have no license.	FL	None
4/30/2025	Charged fees or interest you didn't expect	On XX/XX/year> I made a payment for XXXX and asked for it to be applied to the principal. But the interest is still high like I didn't pay them anything. I have been paying them over the amount from the beginning. Can I get some help from this company cashnet USA.	SC	None
		<p>I took out {\$1600.00} in cash-advance loans from XXXX in XX/XX/year&gt;. Since then, I have repaid {\$1300.00} through automatic payments. Despite paying back nearly the full original loan amount, my current balance is still {\$1200.00}.</p> <p>XXXX is charging monthly Statement Balance Fees that do not match the fee formula disclosed in the agreement. The fee amount changes every month, and the company has not provided a clear or accurate explanation when I requested one. Because of these fees, only a small portion of each payment goes toward the principal, making it extremely difficult to pay down the loan.</p>		
11/27/2025	Charged fees or interest you didn't expect	<p>The fee structure appears misleading and effectively traps the borrower in a cycle where the balance barely decreases despite consistent payments. I believe this constitutes a deceptive or predatory loan practice. I am requesting a full review of the fee calculations and relief from the improperly charged amounts.</p> <p>can not financially cover the extremely high minimum payments. I am more then willing to pay off what I owe but the fact that they charge people this many fees and interest its just not fair.</p>	TX	None
		<p>I sent the following email : Dear CashNetUSA Customer Service, I am writing regarding my loan/account XXXX XXXX XXXX XXXX XXXX XXXX XXXX XXXX I am committed to repaying this loan, but the current interest rate and fees make it extremely difficult to manage.</p> <p>I would like to request the following adjustments to make repayment feasible : Reduction of the current interest rate to a level that aligns more reasonably with XXXX lending regulations.</p> <p>Waiver or reduction of transaction or other fees that have been applied to my account.</p> <p>A structured payoff plan that allows me to repay the loan in full without incurring additional excessive charges.</p> <p>I am prepared to make timely payments or a lump-sum payment if we can agree to revised terms. I would prefer to resolve this directly, but if we are unable to reach an agreement, I may seek guidance from the XXXX XXXX XXXX XXXX XXXX or the Consumer Financial Protection Bureau regarding my situation.</p> <p>Please provide a written response confirming any adjustments you are able to offer. I am eager to work with you to resolve this matter responsibly.</p> <p>Thank you for your time and consideration.</p>		
9/17/2025	Charged fees or interest you didn't expect	This was there response : In response to your recent request, I do apologize CashNetUSA is not able to provide you with a settlement or reduce the APR on your account. We would be able to provide you with a payment plan for your past due date. Keep in mind that your regularly scheduled payments will continue to remain due. Did you wish to continue with that option?	LA	None
		<p>I took out a line of credit with XXXXXXXXXX XXXX XXXX XXXX. My credit limit is {\$4900.00}. The fees and charges on this account are extremely high and far exceed XXXX constitutional usury cap of 17 % APR.</p> <p>For example, a {\$1000.00} XXXX XXXX is immediately charged a {\$100.00} XXXX XXXX fee, and then a {\$100.00} statement balance fee each month if the balance is not paid in full. That means {\$200.00} in charges in the first month alone equal to over 200 % APR. At higher balances, the company charges a monthly fee equal to 10 % of the balance, which works out to about 120 % APR even before the upfront advance fee.</p>		
9/13/2025	Charged fees or interest you didn't expect	I contacted NetCredit on XX/XX/XXXX to ask if I could repay principal only, since the fees are unlawful in XXXX. They responded same day that they can not settle or adjust for a line of credit account.	AR	None
6/3/2025	Charged fees or interest you didn't expect	I was approved for {\$2100.00} in XX/XX/year>. Every XXXX weeks they auto deduct payments for the loan. I've paid {\$900.00} to date, still owing a balance of {\$2000.00} as of today 's date. They are charging me an estimated {\$96.00} for monthly statements. Predatory lender....	MI	None

5/7/2025	Charged fees or interest you didn't expect	<p>On XX/XX/year&gt;, I applied for a loan with XXXX for {\$1300.00} and another advance for {\$1000.00} for a total of {\$2300.00}. They were charging me a fee in addition to the interest of {\$260.00}. At the time of approval, I was not clearly informed that the annual percentage rate ( APR ) would be over 200 %. I was not informed of the number of installments or that payments had to be made twice a month. After receiving the money, I realized that the loan terms were abusive, as only the interest payments were being covered and the principal debt was not decreasing. This excessive interest rate and the lack of clear information about the terms have placed me in an unsustainable financial situation. I request that this loan be reviewed, and that options be considered to restructure it or cancel part of the debt.</p>	FL	None
10/2/2025	Charged fees or interest you didn't expect	<p>XXXX XXXX. XXXX XXXX XXXX, TX XXXX Subject : Demand for Termination of Illegal Loan Agreement and Deletion of Credit Reporting To Whom It May Concern, I am writing to formally demand the immediate termination of my loan agreement with NetCredit. After reviewing the terms of my loan, I have determined that the agreement violates Minnesota usury and consumer protection laws, specifically regarding annual percentage rate ( APR ) limitations and predatory lending practices. Under Minnesota Statutes 334.01, the legal maximum interest rate on a loan is 8 % per year, unless otherwise authorized by law. In addition, loans that exceed this statutory cap are considered usurious and unenforceable. XXXX loan issued to me carries an APR well above this limit, exceeding 150 %, which is not only unlawful but also constitutes predatory lending under Minnesota law. Furthermore, Minnesota consumer protection laws strictly prohibit lending practices that exploit borrowers through unconscionable interest rates. The charging of such excessive APRs places this loan squarely in violation of state law and public policy. Accordingly, I demand the following actions be taken immediately : 1. Terminate the loan agreement in full on the grounds of illegality and usury.</p> <p>2. Refund all payments I have made under this unlawful loan, as the contract is void and unenforceable.</p> <p>3. Delete and cease all reporting of this account to any and all credit reporting agencies, as reporting an illegal debt is inaccurate and constitutes further harm.</p> <p>4. Provide me with written confirmation within 15 days that these actions have been taken.</p>	MIN	None
6/1/2025	Getting a line of credit	<p>I applied for a loan through NetCredit and received an email shortly after stating I was approved. I was prompted to choose the loan amount, informed that funds would be deposited the next day, and was led to believe this was a finalized approval. At no point during this process was it clearly disclosed that the approval was conditional or that a hard credit inquiry would be performed after that point.</p> <p>Despite the misleading communication, NetCredit ran a hard inquiry on my credit report, only to then deny the application. This inquiry negatively impacted my credit score.</p> <p>The approval messaging from NetCredit appears intentionally designed to mislead applicants into believing funds are secured before taking further actions that damage their credit. This kind of bait-and-switch tactic preys on financially vulnerable individuals, and hides behind vague or unclear language buried in terms and conditions.</p> <p>XXXX business practices like these should not be allowed to continue. Im requesting the CFPB review XXXX approval workflows, disclosure practices, and handling of credit reporting to ensure they are compliant with fair lending and transparency standards.</p>	MI	None
3/17/2025	Charged fees or interest you didn't expect	<p>My husband and I were going to file Bankruptcy. We stopped paying on this account in XXXX of 2024. We also informed XXXX that we were filing. We received our taxes and had family offer to help us instead of filing. I called to try and resolve my account. They have not charged it off. The lady on the phone confirmed that the balance was around {\$4400.00} when I made my last payment and I now owe over {\$7500.00}. She said they will not offer any reduced balance except for the {\$7500.00}. In addition, my husband has an account and they did the same thing. I asked them to send over the documents. They stated that since this account is a credit line, they are not required to charge it off and allowed to keep adding interest to my balance until paid on full. She also stated that the account might be sold but no guarantee. I went to my credit report and it states that my account is being serviced by XXXX XXXX. It states the account was opened on XX/XX/year&gt;. How is my balance higher when I call then what is reported. I feel they are in violation of the FDCPA and the FCRA.</p> <p>They sent an email and stated it was against their policy to accept a settlement payment.</p>	OH	None
5/19/2025	Struggling to pay your loan	<p>I was scammed into getting a loan, I tried my best to be accountable and repay weekly, the dead lines along with every day bills are drowning me, it's a struggle to meet the weekly dead line at times, so when I miss one payment I'm set all the way back all over again.</p>	LA	None
7/30/2025	Charged fees or interest you didn't expect	<p>I got a loan through XXXX XXXX for {\$3500.00} in XXXX of XXXX. I have paid for almost a year every 2 weeks ( have made 21 payments thus far ). I was desperate in the moment and had tried other companies and was confused thinking I signed for a different rate. This company is predatory in nature and take advantage of this who are struggling to get on track. In looking at my contract I was offered to pay 98 % in interest. When I look aack at this now, I was very vulnerable and trying to take care of a lot of things. I did reach out to the company as I have already paid almost {\$3000.00} towards the {\$3500.00} borrowed. My request was for a settlement to be equivalent to the laws that are set for Texas residents ( to settle for an agreement of payment for 18-30 % cap. A representative today ( XX/XX/XXXX ) only told me they can not offer me a settlement and is unable to tell me why. I opted to just have a payment deferred for now to avoid any issues.</p>	TX	None
3/14/2025	Problem when making payments	<p>I opened a loan with NetCredit and was told the first payment would be XX/XX/XXXX. However when it comes around to actually paying the first payment was actually XX/XX/XXXX. They lied multiple times about this and refused to fix this. I was able to move the payment online as they stated to XX/XX/XXXX but it did not adjust the other payments simply moved this first payment to another day. Today XX/XX/XXXX I make the XX/XX/XXXX payment and they applied it to the XX/XX/XXXX payment. I asked NetCredit to fix this and the refused stating it will be credited to the XX/XX/XXXX payment and nothing else will be done to correct this as this is simply how they work. Stop payment will be issued to prevent NetCredit from making any additional payments on my behalf until they resolve their own lies.</p>	VA	None
3/19/2025	Charged fees or interest you didn't expect	<p>XX/XX/year&gt; I contacted an agent via telephone requesting that my account be closed so I do not continue to accrue their excessive monthly fees which consume 80 % of the installment payment. She stopped the automatic draft from my bank account but advised me that the monthly fees will still accrue moving forward.</p>	AZ	None

5/8/2025	Charged fees or interest you didn't expect	I'm being overcharged on my loan, I have paid the loan amount back at least twice already... They take out of my check every XXXX weeks not once a month like it expected. My XXXX XXXX balance keeps increasing along with my monthly payment. Please see below. I want them to cancel their fees because they keep changing my contract.	LA	None
9/17/2025	Charged fees or interest you didn't expect	Minimum Payment Estimator XXXX. Due Date XXXX. XXXX XXXX XXXX XXXX. Portion of XXXX XXXX XXXX XXXX XXXX. XXXX XXXX XXXX XXXX. Minimum Payment XXXX XXXX, 2025 XXXX {\$1900.00} XXXX {\$99.00} XXXX {\$180.00} XXXX {\$280.00} XXXX XXXX, 2025 XXXX {\$1300.00} XXXX {\$69.00} XXXX {\$120.00} XXXX {\$190.00} XXXX XXXX, 2025 XXXX {\$2000.00} XXXX {\$94.00} XXXX {\$170.00} XXXX {\$260.00} XXXX XXXX, 2025 XXXX {\$1300.00} XXXX {\$65.00} XXXX {\$120.00} XXXX {\$190.00} XXXX XXXX, 2025 XXXX {\$1800.00} XXXX {\$89.00} XXXX {\$160.00} XXXX {\$250.00}	OH	None
5/19/2025	Struggling to pay your loan	I called in on XX/XX/XXXX to make a payment arrangement and came to an agreement of {\$80.00} per month. My job changed and Im now paid monthly not every XXXX weeks. She said I would not be reported more than 30 days late and I could make these payments until the pay due amount was paid. I was NOT told I would have to make regular biweekly payments in addition to this arrangement. Now the company has accelerated my loan to the total amount of XXXX due payable in full. I just spoke with the rep today and no further arrangements can now be made and the celebration can not be reversed. I am also being reported 60 days past due now. I have no way of paying this amount right now. This company is charging me 97.58 % interest. I cant afford to pay the remaining interest as I have already paid back the amount borrowed. I dont believe I realized the interest amount that would be charge due to the severity of my situation and need for the funds. I have faithfully paid backache amount and I do believe that the 97 % XXXX interest is just cruel and takes advantage of desperate people.	OR	None
11/17/2025	Charged fees or interest you didn't expect	initial amount of loan {\$3900.00} interest amount 97.58 % Start of loan XX/XX/year> Payments towards loan made so far {\$3700.00} ( estimate ) Balance left {\$2200.00} Interest to be charged for total loan {\$7800.00} Please help. I notice that my interest rate is above the state of Alabama usury laws of eight percent. I also told them to stop communicating with me while I was at work but they are continuing to harass me about a payment that is illegally over the maximum rate allowed by the state. Ive made several attempts to get them to fix my interest rates for the loan but nothing has been done. Ive already paid double the original loan.	None	None
3/25/2025	Charged fees or interest you didn't expect	I took out a {\$2500.00} installment loan with CashNetUSA on XX/XX/year>2024. I made my first scheduled payment of {\$360.00} on XX/XX/year>2024. However, I was unable to afford the next scheduled payment of {\$400.00} on XX/XX/XXXX. I contacted CashNetUSA, and they pushed the payment to XX/XX/XXXX for a higher amount of {\$420.00} due to interest and fees. Now, I am facing another payment due on XX/XX/XXXX, totaling approximately {\$800.00} which includes the missed XX/XX/XXXX payment plus the current due amount. I can not afford to pay {\$800.00} at once, and Ive asked them to push this payment to the next due date, but this continues to increase the interest and total balance. I originally borrowed {\$2500.00}, and despite paying on time initially and communicating openly, I now owe around {\$3500.00} a {\$1000.00} increase caused by accumulating interest. This cycle is unsustainable and feels borderline predatory. I am not refusing to pay the loan. I am simply asking for the interest to be frozen so I can catch up and pay the balance off in good faith without it growing faster than I can afford. The current approach feels exploitative and financially damaging.	AL	None
6/18/2025	Struggling to pay your loan	I have an email thread where they denied my request.	LA	None
6/24/2025	Charged fees or interest you didn't expect	I applied for a business loan from a pre-approval offered to me via telephone. I spoke with a representative he stated they couldn't approve me for a loan and then he stated I could get a line of credit of XXXX. I first refused and he convinced me that I would have access to the money if needed.I asked many questions about the line of credit, he said I wouldn't be charged anything unless I drew money from the line. Cash Net deposited {\$2300.00} into my account which I thought was unusual for a line of credit. I called back and was told I was fine as long as I don't use the funds which I didn't. XXXX weeks later they withdrew XXXX from my account and made XXXX additional XXXX withdrawals then when they withdrew XXXX, I contacted them to find out my balance and it was now {\$2600.00}. I went online and pulled my information it stated the interest rate is 299 % daily. I never received any information about the interest and fees I would be charged. I complained to Cashnet and told the this against lending laws to charge that amount of interest. These credit lines are very predatory and impossible to pay off. I hit a spot of financial hardship and took out a line of credit with XXXX. Not only do they take money off the top whenever you barrow from the line of credit- they charge you biweekly in repayment and you can not even make a dent in what you owe. These are essentially payday loans with a new name. I have requested a lower settlement as I will never be able to pay this off, and they have denied me. I have asked for lower fees and still denied.	LA	None
8/11/2025	Charged fees or interest you didn't expect	I was approved for a personal line of credit from NetCredit in XX/XX/XXXX. Since then, I used this line of credit XXXX times to withdraw funds and repaid both advances in full. On XX/XX/XXXX, I withdrew {\$4200.00}, but NetCredit immediately deducted a {\$420.00} XXXX XXXX XXXX. Over the following months, I paid {\$2000.00} in XXXX XXXX Fees. I fully repaid the balance by XX/XX/XXXX. Total repayment : {\$6600.00}. On XX/XX/XXXX, I withdrew another {\$4200.00}, again with a {\$420.00} XXXX XXXX XXXX. I paid an additional {\$1100.00} in XXXX XXXX Fees and fully repaid the balance by XX/XX/XXXX. Total repayment : {\$5800.00}.	NJ	None
7/11/2025	Charged fees or interest you didn't expect	In total, I accessed {\$8500.00}, but repaid {\$12000.00}, resulting in an excess of {\$3900.00} in fees and interest nearly 47 % more than the amount borrowed. I believe these fees are excessive and not clearly disclosed. I repaid both advances in full and on time. Open my email Saturday morning XXXXXXXX XXXX XXXXXXXX, had an email from net credit where they declined a application that I have not applied for credit through net credit whatsoever, My wife and I have the custody of XXXX children that we are trying to raise and every penny counts and trying to move into a bigger house to help support these children, these people should be held responsible for causing these children and my wife and myself harm by making it harder for us to find a new place to live for these children to have a better life	TX	None
8/2/2025	Improper use of your report		SC	Older American

5/4/2025	Charged fees or interest you didn't expect	Back in XXXX I took out a loan with Net Credit. When I was approved for the loan I spent about XXXX minutes on the phone with this company signing and asking questions about the loan terms. I was told in plain XXXX that this company only charges a one time fee to get a personal loan. My call was recorded and my questions were specific. A 2 months later after paying over {\$800.00} and being charged a {\$300.00} fee to just get the loan I notice my balance had not gone down. I called the company several times with each representative telling me something different I finally had a case number made. After XXXX weeks I finally got a call back. My initial call was recorded and reviewed. Even though the representative clearly gave me false inaccurate information and was not clear about what I was signing I was told I still could not be helped. This company operates on false claims and clearly without any morals. People borrowing money are not asking for money because they already have enough of it. This is setup just like any other scam except they make it seem legit because you sign a ton of documents. Recorded calls mean nothing. I could probably win a civil case action if I filed a motion. But instead I had to pay off this loan with the little money I had left for my mortgage payment. I would gladly share my experience with anyone who could make this a public scam. Or an attorney.	FL	None
5/21/2025	Problem with a company's investigation into an existing problem	There was no option to select fraud/identity theft. I keep receiving scam emails from several random companies and I contacted them all. CaSHNET USA says there is a loan in my name. It was sent to a email that is covered in spam.from these types of places. My apartment number is missing from the documentation. The financial institution is an institution I no longer have a relationship with. The phone number they used is not my phone number. I provided my police report and id theft report to the company and they are denying my claim. I am pleading the XXXX audit theses companies fraud processes.	MS	None
5/22/2025	Charged fees or interest you didn't expect	SUBJECT : Predatory loan conditions- XXXX I am filing a complaint against XXXX ( XXXX XXXXXXXX XXXX, XXXX XXXXXXXX XXXX ) regarding a personal loan I believe to be predatory. The loan amount was {\$3400.00} with an APR of 64.84 % , which I believe is excessive and abusive. I have made 8 monthly payments of {\$190.00}, totaling over {\$1500.00}, but the principal balance has only been reduced by approximately {\$200.00}. This indicates that nearly all my payments have gone toward interest and hidden charges. This payment structure was not clearly explained at the time of signing, and I believe it targets individuals in financial hardship. At this moment, I do not have the financial ability to fully pay off the loan, but I believe it is unfair that after paying over {\$1500.00}, the debt has only decreased slightly. I request that my payments be acknowledged and the total balance be reduced. I respectfully request that you : - Investigate this lender for potential usury or predatory lending practices- Enforce better transparency and fair lending terms- Possibly reduce or eliminate the remaining interest so I may pay off the principal I can attach the loan agreement, payment history, and any other documentation if needed. Thank you for your assistance. Name : XXXX XXXX XXXX No. : XXXX Account ID : XXXX Phone : XXXX City/State : XXXX XXXX XXXX XXXX	FL	None
10/15/2025	Charged fees or interest you didn't expect	I took out a {\$750.00} personal loan, and I have asked to settle and request a hardship settlement.	GA	None
8/30/2025	Problem with the payoff process at the end of the loan	After paying {\$1200.00} on a {\$1600.00} loan in XXXX months CASHNETUSA says I am still behind in payments Would not send an email of my balance or explanation verbally telling me my balance was {\$1500.00} over the phone Refuse to send an itemized statement how payments work	WI	Older American
8/4/2025	Charged fees or interest you didn't expect	I applied and received a loan from XXXX and later learned it was a line of credit. These are for assessments on my condo to be paid. I am XXXX veteran and can not work. The amount was {\$6500.00}. After paying for over 4 months around XXXX dollar payments a month and then taking a few very small lines back from them ( like XXXX or so twice ) the bill now is well over {\$7000.00} dollars even though I've paid over XXXX or so dollars a month. I recently asked for a payment federal date until XXXX and did it online and it was approved. Today even though it is XXXX they deleted over XXXX dollars and the balance of the loan is over {\$7000.00} XXXX today. How can this be??? Hawaii has usery interest rate laws. I am a 100 percent XXXX veteran on a retirement and unable to work. HI		Older American, Service-Member
7/10/2025	Charged fees or interest you didn't expect	I was approved for a line of credit in the amount of {\$4600.00} in XXXX. In the very small print they explain that they charge you statement fees every XXXX weeks. I never imagined how incredibly high these would be. I have not used this line of credit since discovering the demoralizing and fraudulent business practices of this company. They have collected over {\$5000.00} in statement fees alone in the past XXXX years. I've tried to make enough monthly payments to pay this balance off. It is impossible. They were charging me {\$300.00} in fees every XXXX weeks when I dont even use the account anymore. If I pay them {\$300.00} towards my balance they charge close to that same amount in monthly revolving statement fees. Please help any way that you can. Thank you. NJ	NJ	None
4/2/2025	Charged fees or interest you didn't expect	**Company Being Reported** Company Name : XXXX XXXX XXXX XXXX XXXX XXXX XXXX XXXX XXXXtype : Open-End Line of Credit Loan Amount : {\$2700.00} Loan Start Date : XX/XX/XXXX XXXX*Complaint Summary** I took out a {\$2700.00} loan from XXXX XXXX in XX/XX/XXXX. I only received {\$2400.00} due to a 10 % fee taken upfront. This part was clear, but what I didnt expect was the extremely misleading payment structure and the resulting financial hardship. The chart provided suggested my monthly payment would be approximately {\$270.00}. However, later in Section V of the contract, it states that the 'minimum payment ' includes an additional 2.5 % of the balance, bringing the total to over {\$400.00}. This discrepancy was not clearly disclosed alongside the chart. On XX/XX/XXXX and again on XX/XX/XXXX, XXXXtwo separate {\$400.00} payments were taken from my account. I was told this was because I changed my due date, which triggered two full monthly payments back-to-back. Unfortunately, I was not warned this would occur, and the result was significant financial strain. I also learned that even by paying the minimum \$ 400 monthly, I would not be finished paying the loan until XXXX. Thats over three years of payments on a {\$2700.00} loan. I believe this information should have been clearly disclosed from the beginning. Please review their fee and payment disclosures for clarity and fairness - I kindly request a refund of any duplicate or excessive charges- Please consider recommending a cap on interest or a relief plan based on ability to repay- Please encourage the company to provide better up-front disclosures on repayment terms **Lender Fax ( for document submission ) : ** Fax Number : ( XXXX ) XXXX ( XXXX XXXX XXXX XXXX XXXX XXXX XXXX	MI	Service-Member

		I am a XXXXXXXX XXXX veteran filing this complaint regarding a personal loan I took out with XXXX in XXXX. My concern involves the forced arbitration clause in the agreement. I believe this clause was presented in an unfair and deceptive manner that did not respect my rights as a borrower.		
		The arbitration clause was buried in the loan documents, and I was not clearly informed that it would waive my right to bring legal claims in court. I was also unaware that there was a limited window to opt out of arbitration, and I was not reasonably given the opportunity to do so. As a result, I have been denied access to a fair dispute resolution process.		
		Given my military status, I also believe this practice may conflict with the intent of consumer protections that are supposed to ensure transparency and fairness for Service-Members and veterans. While I may not qualify under the XXXX XXXX XXXX due to no longer being on XXXX XXXX, I still expect fair treatment under the law.		
6/18/2025	Problem with additional add-on products or services	I am asking the CFPB to investigate XXXX arbitration practices and to assist me in seeking relief from a contract provision that I believe was implemented in a misleading or unfair way. I want to preserve my right to challenge my loan terms through the proper legal channels	GA	None
10/22/2025	Struggling to pay your loan	I am struggling to pay this loan. It takes nearly {\$400.00} every time I get paid and the fee surpasses anything that goes towards the principle. Most time I am paying less than {\$100.00} towards the principle and everything else is the fee/interest associated with the loan. Because of this, my balance is already {\$1000.00} over the actual amount owed to the loan. This is insane and makes it impossible to catch up. And even with any payment plan, they do not cease interest. Please help.	NY	None
5/25/2025	Struggling to pay your loan	I reached out to net credit several times to remedy the past due balance. They put me on a payment plan to pay the past due balance but still gave me a right to cute email. They said that they would default me if they werent paid for the past due balance by XX/XX/year>. They lied to me saying that if I made the payment plan on the past due balance that I would be fine.	AZ	None
		On or around XX/XX/XXXX, I obtained a loan of {\$3000.00} from XXXX to cover an urgent home repair for my aging mother and myself. I complied with all application requirements and was approved for financing. Since then, I have made all payments on time, with funds automatically deducted from my bank account every two weeks.		
		I am submitting this formal complaint regarding the annual percentage rate ( APR ) of 98.40 % attached to my loan. This rate is excessively high and, in my view, constitutes predatory lending. As of XX/XX/XXXX, I have paid a total of \$ XXXX double the principal borrowed and am projected to pay over three times the original loan amount by the end of my repayment term.		
5/28/2025	Charged fees or interest you didn't expect	I believe this lending practice is unfair and places borrowers in an untenable financial position. I respectfully request that the Consumer Financial Protection Bureau review this matter and take appropriate action to address these lending practices.  Thank you for your time.	FL	None
		I am filing a complaint regarding a loan I received from XXXX while residing in the state of New Jersey. The loan was issued with an APR of approximately 97 %. I believe this rate is excessively high and may violate New Jerseys consumer lending and usury laws, which generally prohibit extremely high interest rates for non-bank lenders.		
		At no point was I clearly informed that the APR would be this high or that the total cost of the loan would be so burdensome. The disclosures provided were confusing, and the terms were not adequately explained before I was approved. As a result, I have been placed under significant financial strain.		
11/25/2025	Charged fees or interest you didn't expect	I am requesting that the CFPB review XXXX lending practices as they relate to New Jersey borrowers and determine whether this loan was issued in compliance with applicable state laws. I am also seeking a review of my loan terms, including interest rate and fees, and any appropriate relief.  regarding the predatory interest rates and excessive fees charged on their personal loans. The terms of my loan were presented as a legitimate installment loan, but the actual costs have proven to be unconscionable and exploitative.	NJ	None
		Details of Complaint Company : XXXX ( Enova International , Inc. ) Issue : Excessive interest rates and fees far above industry norms Impact : The repayment terms result in paying back two to three times the original loan amount, creating undue financial hardship State : Indiana ( where lending laws are being leveraged to allow these practices ) Grounds for Complaint XXXX XXXXPRs often range from 34 % to over 150 %, which is far beyond reasonable lending standards.		
		The company markets these loans as installment loans to circumvent payday lending restrictions, misleading borrowers.		
		The fees and interest charged are designed to trap borrowers in cycles of debt.		
		Requested XXXX I respectfully request that regulators investigate XXXX lending practices for potential violations of consumer protection laws. Specifically : Review the legality of the APRs and fees charged.		
		Assess whether XXXX marketing practices are misleading.		
		Provide relief to affected borrowers, including myself, by enforcing fair lending standards.		
		Supporting Documentation I have retained copies of my loan agreement, payment history, and communications with NetCredit, which I am prepared to provide upon request.		
11/26/2025	Charged fees or interest you didn't expect	Conclusion The fact that they charged an extra {\$300.00} of interest when I borrowed more after starting to pay them back and was already charged {\$300.00} and paid that borrowed a {\$100.00} and Than all of a sudden I owe another {\$300.00} some odd dollars on top of it every time I borrow at the end of the loan. Not only is the original fee ridiculous, ( willing to accept that ) But the fee people arent ready for if they keep borrowing even small amounts at the end of their loan is terrible and deceiving. If Im not explaining it well. Please tell me. Bottom line they take advantage of the vulnerable, poor, people with low credit scores ( poor	IN	Service-Member
2/19/2025	Struggling to pay your loan	I attempted multiple times to negotiate my balance with this company and they refused to work with me. NOT ONLY that they BUT THEY DOUBLED the amount due on the loan claiming it was their company police and protocol due to the interest not sure how you go from a {\$6000.00} loan to {\$12000.00} it ridiculous. This company is not acting in the good faith of the hard working American people.	FL	None

		<p>on who originated the loan. XXXX refuses to respond to questions and dispute letters as a stall tactic and routinely violates consumer rights.</p> <p>I have filed complaints with both the Texas OCC and FDIC, and I do not believe XXXX and XXXX were being truthful with either. Their responses do not match what XXXX sent me. In an email that was a supposed Final Response and what was later claimed to be official validation, XXXX claimed, On XX/XX/XXXX, you opened an Installment loan in the amount of {\$7400.00} with XXXX you then signed the loan agreement at XXXX XXXX on XX/XX/XXXX, acknowledging that you understood and accepted the terms and conditions associated with the Installment loan. These Terms and Conditions included At the time I made the XXXX complaint, I did not have XXXX response since it was sent afterwards, and I didnt include it with the FDIC complaint since I didnt realize at the time the responses had been so different. I only rediscovered it later when looking back at everything XXXX sent me and was baffled. My loan document only has a signature block from XXXX XXXX, one that lacks time zone and IP information for their signature, which while legal, also has some curious asymmetries, considering my signature has an IP. A timezone would show XXXX actually signed this, and its missing. XXXX does fund some loans, according to their own disclosures in emails. Its entirely possible XXXX funded this as well, and it would match what they claimed. its alarming that the response is so different from what was provided to other regulators and has no mention of XXXX XXXX.</p> <p>The following just highlights some more acts of deception by XXXX, and XXXX needs to be aware of their activities.</p> <p>I sent a dispute letter to XXXX XXXX, as stated in my loan document, on XX/XX/XXXX. I have the XXXX delivery information attached. XXXX refused to respond for several weeks, and in that time, continued collection emails and reports to the credit bureaus. I finally received a low-effort response on XX/XX/XXXX regurgitating information found in the loan document and claiming yet again that my loan was governed only by Kentucky law . They also reaffirmed that the response sent from XXXX on XX/XX/XXXX was the official documentation to validate my debt. Note this validation is the one claiming I opened the loan with XXXX, not XXXX.</p> <p>XXXX the servicer claims they are not subject to XXXX law many times, so its unclear which state laws they are even supposed to be following in this case where they accelerate loans on whichever timetable they choose and without due dates or notifications of a consumers right to dispute. XXXX is lax on this, but XXXX claims not to be under XXXX domain. They are not licensed in Illinois, where they are headquartered. This is a regulatory black hole. XXXX also has been acting as a debt collector, and in XXXX, such activities require a debt collection surety bond to be filed with the Texas Secretary of State ; its not constrained to traditional third party debt collectors. XXXX had one filed on the XXXX XXXX XXXX site, which runs counter to their claims of ot being subject to XXXX laws, but they are also licensed XXXX lenders ( both the finance and servicer entities ) under the XXXX, so its impossible to get a</p>	TX	None
7/14/2025	Getting the loan			
	Charged fees or interest you didn't expect	<p>I got an offer for XXXX. I withdrew all of it to get caught up on bills because I was unemployed for a few months and was about to get utilities disconnected and car repossessed. They scheduled me to have a payment due every other week. The interest is through the roof. Every payment is 2 thirds interest or what they call a statement balance fee, and 1 third principal. Since I withdrew the money back in the first week of XXXX up until I withdrew again in mid XXXX, only XXXX of my balance was paid down and over XXXX in fees.</p>	OH	None
9/2/2025	Struggling to pay your loan			
10/1/2025		bXXXX is the total XXXX last year. I know fee is including also. XXXX, address XXXX XXXX XXXX sc XXXX'	SC	None
	Received a loan you didn't apply for	<p>I've repeatedly told Cash Net USA that I've not applied for a loan and asked them to remove my information from their system. I've sent numerous police reports, let them know I'm a repeat victim of identity theft, spoken with the fraud department yet, I continuously receive emails saying I've not been approved for a loan. This continues going on and I'm tired of it. I just received another email about the same thing. This makes no sense.</p>	TX	Older American, Service-Member
4/22/2025		<p>Pulled out a small loan to consolidate credit cards as I was told it would be a better option then found out that net credit charges more than 10 % of the total loan in addition to the principal and other fees that are hidden. Paying over {\$300.00} a month for a loan that wasnt supposed to cost that much and crippling in debt while trying to consolidate before my baby comes in XXXX have called them and they have given me no information and are not willing to negotiate my credit union suggested I reach out to you all as net. Credit is not supposed to work in XXXX, as it is a predatory lender, which I did not know about at the time when I was seeking financial help</p>	VA	None
11/18/2025	Charged fees or interest you didn't expect			
	Charged fees or interest you didn't expect	<p>I am disputing the loan terms, including the excessive interest rates and biweekly fees that result in an estimated XXXX % XXXX, far exceeding XXXX legal cap of XXXX % XXXX. Despite my attempts to get a settled payoff amount and close this line of credit and resolve this directly with NetCredit, their responses have been unhelpful. I believe their lending practices are unfair, deceptive, and possibly illegal under XXXX law.</p>	NE	None
8/1/2025				

## **Appendix B**

Comments of National Consumer Law Center (on behalf of its low-income clients) et al. on Request for Information on Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses to Department of the Treasury, Office of the Comptroller of the Currency, et al. (October 30, 2024)



**Comments of  
National Consumer Law Center (on behalf of its low-income clients)  
Center for Responsible Lending  
Student Borrower Protection Center**

**on**

**Request for Information on Bank-Fintech Arrangements  
Involving Banking Products and Services Distributed  
to Consumers and Businesses**

**to**

**Department of the Treasury  
Office of the Comptroller of the Currency  
[Docket No. OCC–2024–0014]  
Federal Reserve System  
[Docket No. OP–1836]  
Federal Deposit Insurance Corporation  
RIN 3064–ZA43**

**89 Fed. Reg. 61577 (July 31, 2024)**

**Submitted October 30, 2024**

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## Introduction and Executive Summary

The National Consumer Law Center, on behalf of its low-income clients, the Center for Responsible Lending and the Student Borrower Protection Center submit these comments to the Department of the Treasury, Office of the Comptroller of the Currency (OCC), Federal Reserve System, and Federal Deposit Insurance Corp. (FDIC) (collectively, “bank regulators”) on the Request for Information on Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses.

These comments focus on bank-fintech partnerships in the lending area<sup>1</sup> and the significant risks to consumer protections that those partnerships often create. Experience has shown that both fintechs and their promoters pride themselves on pushing the legal and regulatory envelope. In doing so, we also note a relationship between their increased consumer-protection, risk-taking activity and a broader culture of risk that leads to other safety and soundness problems at those same banking institutions. Because our consumer protection laws are intended to be applied liberally, it is imperative that prudential regulators remind banks that they act at their own peril by enabling or aligning themselves with consumer protection evasions.

Throughout, this comment emphasizes these general areas of consumer protection risk created by bank-fintech lending partnerships:

- The risks created by partnering with fintechs on products that claim to be outside of consumer protection law, including fintech payday advance apps and income share agreements;
- The risks of helping nonbank fintechs evade consumer protection laws, especially usury laws, by exploiting the bank charter; and
- The risks of high-cost lending.

We describe three types of products offered through bank-fintech partnerships that pose concerns.

First, we discuss the role of banks in the growing area of fintech payday advance apps, sometimes misleadingly called “earned wage access” products. These advances typically deny being loans but exceed 300% APR, disguise costs, lead to a cycle of reborrowing, increase overdraft fees, and leave consumers with less liquidity, not more. Banks play various roles in these products. Evolve, and possibly other banks, is helping to disguise loans as overdrafts on fake bank accounts. Banks help to collect finance charges disguised as “tips” and inflated expedite fees. Banks are also starting to originate credit for payday advance apps, which raises the specter of a return to the usury evasions of rent-a-bank payday lending of decades ago.

Second, we highlight high-cost rent-a-bank lending by fintechs offering installment loans. A small group of rogue banks is partnering with predatory nonbank lenders by originating loans at 100% to 200% APR that the nonbanks cannot make directly. These partnerships pose a wide variety of risks, discussed below.

Third, we discuss the risks of income share agreements. These products, too, pose risks of deceptive practices, violation of the law when they claim not to be loans, and rent-a-bank evasion of usury laws.

Banks engaged in high-cost rent-a-bank schemes, regardless of the type of loan, have a high risk of being found not to be the true lender. When the bank only plays a minor supporting role

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<sup>1</sup> The National Consumer Law Center is filing other comments that describe risks of bank-fintech partnerships that engaging in banking, deposits and payments.

in a product designed and run by a nonbank fintech, as with “banking-as-a-service,” the caselaw is clear that the bank is not the true lender. When banks are not the true lender, they expose themselves to liability for facilitating violations of state usury laws and directly violating the Racketeering Influenced and Corrupt Organizations Act.

Bank-fintech partnerships may also be ignoring and risk violating state laws beyond usury laws. State-chartered banks that do not have branches in other states or do not issue products from those branches are not entitled to the same breadth of preemption that national banks and out-of-state branches of state-chartered banks receive. There is a high risk that the bank is violating state consumer protection laws other than interest rate limits.

High-cost loans issued through bank-fintech partnerships pose high credit risks and default rates that violate principles of responsible lending and prudent underwriting. Charge-offs over 50 percent would not be tolerated in traditional bank lending and should not be tolerated in bank-fintech partnerships.

Bank-fintech partnerships, especially those involving high-cost loans or deceptive products, also pose a high risk of consumer harm and violation of consumer protection and other laws. These products pose high risks of unfair, deceptive or abusive practices and of violating laws governing debt collection, credit reporting, fair lending, military lending, privacy and data security, know-your-customer, and community reinvestment requirements.

Accordingly, we believe that the bank regulators must end bank-fintech partnerships that engage in predatory lending, evade the law and pose a high risk of unfair, deceptive or abusive practices and violations of consumer protection laws. Regulators should not permit banks to help fintechs evade the law or offer products that pose significant consumer harm. Banks that do so present significant safety and soundness risks.

We also urge the bank regulators to directly examine the fintech partners of banks in high-risk areas. Only direct examination of the entities that are primarily responsible for designing and running these lending programs will enable bank regulators to fully identify and address unscrupulous practices.

### **1. Banks taking consumer protection risks may engage in other risky conduct that reveals broader safety and soundness concerns.**

These comments focus on the consumer protection risks of bank-fintech partnerships. But in our experience, it is not unusual to see a cluster of problematic activity at the same bank. Banks that are willing to engage with fintechs in ways that take consumer protection risks may be likely to take other undue risks.

Thus, regulators should use significant consumer risks or violations as an indication of a high-risk culture that merits closer regulator attention. Bank-fintech partnerships that pose high consumer risks – such as high-cost lending – should be deemed to involve “critical activities” that are higher risk and thus require closer scrutiny, as we discussed in our earlier comments on the Proposed Interagency Guidance on Third-Party Relationships: Risk Management.<sup>2</sup>

For example, very few banks are willing to originate loans that exceed 100% APR, whether directly or through fintechs. Likewise, few banks partner with predatory nonbank lenders to help

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<sup>2</sup> Comments of NCLC et al. to Board of Governors of FRB, OCC and FDIC on Proposed Interagency Guidance on Third-Party Relationships: Risk Management (Oct. 18, 2021), <https://www.nclc.org/resources/group-comments-to-bank-regulators-on-third-party-risk-management-guidance-urging-an-end-to-rent-a-bank-schemes/>.

them evade state interest rate limits. Both sets of activities pose significant risks, as discussed in these comments. Banks that have such a high risk tolerance are likely to be taking on other risks that could lead to other types of legal violations or other safety and soundness risks.

Similarly, most banks that offer credit, whether directly or through partners, do so directly, in compliance with the Truth in Lending Act and other laws. But as discussed below, some banks appear to be joining with fintechs to offer cash advances through manipulative approaches that deny that the advances are loans or are covered by TILA or other lending laws. While the legality of these arrangements has yet to be decided, banks that take the risk that the products are illegal, or that are willing to help offer products outside of consumer protection laws, are engaged in risky activity and deserve more intensive supervision.

We offer these examples of how consumer protection issues are a signal, or canary, of a culture of broader risky conduct at a bank.

**First Bank of Delaware.** In one particularly extreme example, First Bank of Delaware collapsed. For years, consumers highlighted that the bank was facilitating rent-a-bank payday loans.<sup>3</sup> The bank was also caught misleading subprime credit card users.<sup>4</sup> The bank was initially forced to close its consumer lending unit because of inadequate compliance monitoring and faulty board oversight.<sup>5</sup> Ultimately, the State of Delaware terminated the bank's charter and the FDIC terminated its deposit insurance, along with imposing steep monetary and other repercussions, as a result of violations of the Bank Secrecy Act (BSA) and anti-money laundering (AML) laws related to processing payments for companies engaged in defrauding consumers.<sup>6</sup>

**Blue Ridge Bank.** More recently, consumer advocates criticized Blue Ridge Bank for its partnership with MentorWorks Education Capital to offer income share agreements (ISAs).<sup>7</sup> Among other problems, the companies denied that ISAs are loans and entered a questionable market that poses high fair lending risks and a high risk of deceptive conduct and harm to consumers. The CFPB later clarified that ISAs are loans and took a number of enforcement actions against ISA providers.<sup>8</sup> Blue Ridge Bank, meanwhile, faced regulatory scrutiny and

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<sup>3</sup> See Jean Ann Fox, Consumer Federation of America, *Unsafe and Unsound: Payday Lenders Hide Behind FDIC Bank Charters to Peddle Usury* 17–20 (Mar. 30, 2004), <https://consumerfed.org/pdfs/pdlrentabankreport.pdf>.

<sup>4</sup> See Delaware Business Blog, [FDIC to FIRST BANK OF DELAWARE, "Cease and Desist"](#) (Dec. 21, 2008).

<sup>5</sup> See American Banker, *Delaware Bank Ordered to Close Lending Unit* (Dec. 10, 2008), <https://www.americanbanker.com/news/delaware-bank-ordered-to-close-lending-unit>.

<sup>6</sup> See Andy Peters, American Banker, *First Bank of Delaware to Cease Operations* (May 7, 2012), <https://www.americanbanker.com/news/first-bank-of-delaware-to-cease-operations>; Sean McLernon, Law360, *First Bank Of Delaware To Pay \$16M To End DOJ Fraud Claims* (Nov. 19, 2012), <https://www.law360.com/articles/395168/first-bank-of-delaware-to-pay-16m-to-end-doj-fraud-claims>.

<sup>7</sup> See Letter from Student Borrower Protection Center et al. to Hon. Blake Paulson, Acting Comptroller, Office of the Comptroller of the Currency (Apr. 20, 2021), <https://www.nclc.org/resources/group-letter-to-the-occ-regarding-the-partnership-between-blue-ridge-bank-and-mentorworks/>.

<sup>8</sup> See, e.g., CFPB, Press Release, *CFPB Takes Action Against Student Lender for Misleading Borrowers about Income Share Agreements* (Sept. 7, 2021), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-student-lender-for-misleading-borrowers-about-income-share-agreements/>; CFPB, Press Release, *CFPB and 11 States Order Prehired to Provide Students More than \$30 Million in Relief for Illegal Student Lending Practices* (Nov. 20, 2023), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-and-11-states-order-prehired-to-provide-students-more-than-30-million-in-relief-for-illegal-student-lending-practices/>.

eventually enforcement actions for its lax anti-money-laundering program and oversight of fintech partners.<sup>9</sup>

**Evolve Bank & Trust.** In the most recent example, Evolve Bank & Trust is involved in the catastrophic collapse of Synapse Financial Technologies with the resulting disappearance of millions of dollars from consumer and small business accounts and account freezes for the money that remains, causing serious consumer pain.<sup>10</sup> Earlier, Evolve entered into a consent order with the U.S. Department of Justice over a pattern of discriminating on the basis of race, sex, and national origin in the pricing of residential mortgage loans, in violation of the Fair Housing Act (“FHA”) and the Equal Credit Opportunity Act (“ECOA”).<sup>11</sup> Separate from the Synapse bankruptcy, Evolve Bank faced an enforcement action from the Federal Reserve Board for deficiencies in the bank's anti-money laundering, risk management, and consumer compliance programs.<sup>12</sup>

As discussed below, Evolve has now started to offer fake bank accounts to help the fintech Dave evade lending laws. Evolve also issued deposit accounts for the “tips”-based payday lending platform Solo Funds, which has faced several state and federal enforcement actions, and currently does so for the disguised payday advance app EarnIn.

**Pathward Bank (fka MetaBank).** Pathward also appears to be embarking on helping fintech cash advance apps disguise their loans as overdrafts, as discussed below. Pathward has a history of enforcement actions and consumer complaints arising out of its fintech and prepaid card partnerships involving the offering of payday loans,<sup>13</sup> helping payday lender prepaid cards

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<sup>9</sup> See Polo Rocha, OCC requires Blue Ridge Bank to improve monitoring of fintech partners, American Banker (Sept. 1, 2022); Catherine Leffert, Blue Ridge Bank begins offboarding at least a dozen fintech partners, American Banker (Nov. 17, 2023); Gabrielle Saulsbery, “Troubled” Blue Ridge Bank enters consent order with OCC, BankingDive (Jan. 29, 2024), <https://www.bankingdive.com/news/troubled-blue-ridge-bank-enters-consent-order-occ/705871/>.

<sup>10</sup> See, e.g., Mary Ann Azevedo, TechCrunch, [Fintech Synapse, backed by a16z, has collapsed, and 10M consumers could be hurt](#) (May 25, 2024).

<sup>11</sup> Consent Order, United States v. Evolve Bank & Trust, No. 2:22-cv-02667-SHL-tmp (W.D. Tenn. Oct. 17, 2022), <https://www.justice.gov/media/1254071/dl>.

<sup>12</sup> Federal Reserve Board, Press Release, Federal Reserve Board issues an enforcement action against Evolve Bancorp, Inc. and Evolve Bank & Trust for deficiencies in the bank’s anti-money laundering, risk management, and consumer compliance programs (June 14, 2024), <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20240614a.htm>.

<sup>13</sup> NCLC, Press Release, NCLC Applauds End of 650% MetaBank Prepaid Card Payday Loan (Oct. 14, 2010), <https://www.nclc.org/nclc-applauds-end-of-650-metabank-prepaid-card-payday-loan/> (describing disclosure by the bank that it would shut down its lending partnership after the Office of Thrift Supervision “determined that the Bank engaged in unfair or deceptive acts or practices” in connection with the iAdvance program); Order to Cease and Desist, In re MetaBank, Order No. CN 11-25 (Office of Thrift Supervision July 15, 2011), <https://www.occ.gov/static/ots/enforcement/97744.pdf> (OTS 2011 MetaBank Order).

charge overdraft fees (even after rules prohibiting them),<sup>14</sup> and unlawful seizure of protected funds for debt collectors.<sup>15</sup> Pathward was also cited for failing to develop a system of internal controls to assure ongoing compliance with Bank Secrecy Act and Anti Money Laundering regulations.<sup>16</sup>

We certainly believe that bank-fintech partnerships that create consumer risks bear close attention on their own merits. In addition, when regulators become aware of partnerships that are pose those risks – whether through complaints by consumer advocates or otherwise – they should consider whether they point to a broad culture of risky activity even if the activity is not clearly unlawful.

## **2. Banks that help fintechs evade consumer protection laws engage in risky conduct.**

Regulators should prevent banks from helping fintechs to evade consumer protection laws. Fintechs are often pushing the envelope, coming up with creative arguments about why they fall outside of consumer protection laws or offering products that pose serious risks to consumers. Sometimes it takes a while for the law to address a new practice specifically through caselaw, enforcement actions, or regulatory updates. But regulators should be vigilant in enforcing consumer protection laws against evasions. The law or market developments will usually catch up eventually and force change, and those that engage in risky conduct face the risk of enforcement actions or, at a minimum, disruptions to their business models and revenue streams.

In the last several years, we have seen a new wave of financing products that claim that they are not loans or credit or are otherwise outside of federal and state lending laws. These products are invariably offered by nonbanks, but they sometimes involve partnerships with or other roles for banks.

Below we discuss fintech cash advances and income share agreements. But there are other types of “noncredit” credit, such as home equity investment financing, probate advances, and others, and it is possible that banks could become involved with them.

Regulators should pay close attention any time a bank is involved in helping a fintech offer a product that it claims is outside of the consumer protection laws that would normally apply. Constantly updated regulations are not needed in order to apply basic consumer protection laws

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<sup>14</sup> NCLC, Payday Lender Prepaid Cards: Overdraft and Junk Fees Hit Cash-Strapped Families Coming and Going (July 2015), <https://www.nclc.org/resources/report-payday-lender-prepaid-cards/> (describing NetSpend prepaid cards, which were issued by MetaBank); NCLC, Press Release, NetSpend Plans Evasions of CFPB Prepaid Rules to Preserve \$80 Million in Overdraft Fees (Oct. 28, 2016), <https://www.nclc.org/netspend-plans-evasions-of-cfpb-prepaid-rules-to-preserve-80-million-in-overdraft-fees/>; NCLC, Press Release, CFPB Quietly Launches Web Database of Prepaid and Payroll Card Fees and Disclosures but Some Cards with Overdraft Fees are Missing (Oct. 16, 2019), <https://www.nclc.org/cfpb-quietly-launches-web-database-of-prepaid-and-payroll-card-fees-and-disclosures-but-some-cards-with-overdraft-fees-are-missing/> (The payday lender ACE Cash Express offers the ‘ACE Flare Account by MetaBank’ through the prepaid card company NetSpend, but the card may incur up to \$100 in overdraft fees a month, which is not allowed under the CFPB’s prepaid card rule.”).

<sup>15</sup> New York Attorney General, Press Release, Attorney General James Secures More than \$700,000 from Pathward Bank for Illegally Freezing Bank Accounts and Turning Over Consumer Funds to Debt Collectors (April 17, 2024), <https://ag.ny.gov/press-release/2024/attorney-general-james-secures-more-700000-pathward-bank-illegally-freezing-bank>.

<sup>16</sup> OTS 2011 MetaBank Order, *supra*.

to new products that walk and quack like a duck but claim to be a cow. Our consumer protection laws are intended to be applied liberally to protect consumers.

For example, Congress in passing the Truth in Lending Act was aware that “some creditors would attempt to characterize their transactions so as to fall one step outside whatever boundary Congress attempted to establish,” and thus Congress “determined to lay the structure of the Act broadly and to entrust its construction to an agency with the necessary experience and resources to monitor its operation.”<sup>17</sup> TILA is a remedial statute that courts have long found must be “liberally construed in favor of borrowers.”<sup>18</sup> In assessing whether a transaction is subject to TILA and how TILA protections apply, courts can look beyond the form of the transaction as structured to determine its true nature and substance.<sup>19</sup> This substance-over-form approach has been applied repeatedly by courts to look through the purported form of a transaction to determine whether TILA applies.<sup>20</sup>

This broad construction of our consumer protection laws also applies to other statutes, including the Electronic Fund Transfer Act,<sup>21</sup> the Fair Debt Collection Practices Act,<sup>22</sup> the Fair Credit Reporting Act,<sup>23</sup> and the Equal Credit Opportunity Act.<sup>24</sup> Laws against unfair, deceptive and abusive practices also apply even if there is not a law that directly regulates conduct that poses harms to consumers.

Thus, whenever a bank-fintech partnership claims that an activity is outside of federal consumer protection laws, that should be a red flag of risk that draws closer scrutiny. Banks should not be in the business of helping fintechs evade the law, and they take on significant risks when they do so.

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<sup>17</sup> *Mourning v. Family Publications Serv., Inc.*, 411 U.S. 356, 365 (1973).

<sup>18</sup> *Curtis v. Propel Property Tax Funding, L.L.C.*, 915 F.3d 234, 243 (4th Cir. 2019); *accord* *Cappuccio v. Prime Capital Funding L.L.C.*, 649 F.3d 180 (3d Cir. 2011); *Rubio v. Capital One Bank*, 613 F.3d 1195, 1202 (9th Cir. 2010); *Hauk v. JP Morgan Chase Bank USA*, 552 F.3d 1114 (9th Cir. 2009); *Rand Corp. v. Moua*, 559 F.3d 842 (8th Cir. 2009); *Bragg v. Bill Heard Chevrolet, Inc.*, 374 F.3d 1060 (11th Cir. 2004). See also National Consumer Law Center, *Truth in Lending* § 1.5.2.3 n. 214, (11<sup>th</sup> ed. 2023) (“NCLC, Truth in Lending”) (collecting cases).

<sup>19</sup> See, e.g., *Williams v. Chartwell Fin. Servs., Ltd.*, 204 F.3d 748, 753–754 (7th Cir. 2000) (courts look to economic substance of transaction, not its form, to determine whether TILA requirements apply); *Adams v. Plaza Fin. Co.*, 168 F.3d 932 (7th Cir. 1999) (courts must penetrate the outer form to find the inner substance when determining how disclosure requirements apply).

<sup>20</sup> See NCLC, *Truth in Lending* § 2.1.2 (collecting cases).

<sup>21</sup> 15 U.S.C. § 1693(b) (“The primary objective of this subchapter, however, is the provision of individual consumer rights.”); see *Curtis v. Propel Prop. Tax Funding, L.L.C.*, 915 F.3d 234 (4th Cir. 2019) (citing cases on the broad, liberal construction of the EFTA).

<sup>22</sup> See, e.g., *Urbina v. Nat’l Bus. Factors Inc.*, 979 F.3d 758, 763 (9th Cir. 2020); *Manuel v. Merchants & Pro. Bur., Inc.*, 956 F.3d 822, 826 (5th Cir. 2020); *DiNaples v. MRS BPO, L.L.C.*, 934 F.3d 275, 281 (3d Cir. 2019).

<sup>23</sup> See, e.g., *Jones v. Federated Fin. Reserve Corp.*, 144 F.3d 961, 964 (6th Cir. 1998); *Wagner v. TRW, Inc.*, 139 F.3d 898 (5th Cir. 1998); *Guimond v. Trans Union Credit Info. Co.*, 45 F.3d 1329 (9th Cir. 1995); *Moran v. Screening Pros, L.L.C.*, 943 F.3d 1175, 1186 (9th Cir. 2019).

<sup>24</sup> See, e.g., *Bros. v. First Leasing*, 724 F.2d 789, 793–794 (9th Cir. 1984); *Williams v. AT & T Wireless Servs., Inc.*, 5 F. Supp. 2d 1142, 1147 (W.D. Wash. 1998).

### 3. Banks that partner on payday advance apps face risks.

#### 3.1. Some banks are helping fintechs make high-cost cash advance payday loans while claiming they are outside of lending laws.

A highly concerning development is the rise of a new category of payday loans styled as earned wage “access products” or other types of cash advance. While these loans are offered by nonbank companies, increasingly the nonbanks partner with banks, as discussed below. Banks that are involved with these companies take the risk that the products violate lending laws and result in unfair, deceptive and abusive practices, and potentially violate other laws.

Fintech payday advance apps take a variety of forms, including some offered through employer-integrated models and some directly to consumers. Interest is often disguised in a variety of forms such as so-called “tips” or “donations,” inflated expedite or other transfer fees, or monthly subscriptions. The “tips” and “donations” evasion is also being used by a peer-to-peer payday lender that has been subject to state and federal enforcement actions.<sup>25</sup>

Most of these products deny being credit, deny that the costs are finance charges, and deny that they are covered by TILA or state credit laws, though some earned wage advances are honestly structured as credit.<sup>26</sup> The CFPB recently proposed to clarify that these paycheck advances are loans and their tips and expedite fees are finance charges under TILA.<sup>27</sup> Thirteen state attorneys general submitted a comment agreeing with the CFPB’s analysis.<sup>28</sup> States including California,<sup>29</sup> Connecticut<sup>30</sup> and Maryland<sup>31</sup> are starting to clarify their laws as well. While a few states recently adopted laws declaring that earned wage advances are not credit and are exempt from credit laws, those states are not consumer protection leaders; they allow high-cost payday loans and do not have a strong record of consumer protection.<sup>32</sup>

Payday advance lenders claim that they are not offering credit because they insert “non-recourse” language in their agreements pledging not to use debt collectors or to sue the borrower. But whether or not a lender has “recourse” does not determine whether the product is

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<sup>25</sup> See CFPB, Press Release, [CFPB Sues SoLo Funds for Deceiving Borrowers and Illegally Extracting Fees](#) (May 17, 2024); NCLC, Press Release, [CA, CT, DC Issue Orders Against Fintech Payday Loans that Solicit “Tips”](#) (May 18, 2023) (providing links to enforcement actions); Pennsylvania Attorney General, Press Release, [AG Henry Reaches Settlement with California-Based Lender over Alleged Illegal Tip and Donation Scheme, Saving Pennsylvanians Hundreds of Thousands of Dollars](#) (July 2, 2024).

<sup>26</sup> See <https://getclair.com/> (last visited Oct. 30, 2024); <https://www.chime.com/my payday/> (last visited Oct. 30, 2024).

<sup>27</sup> See CFPB, Press Release, [CFPB Proposes Interpretive Rule to Ensure Workers Know the Costs and Fees of Paycheck Advance Products](#) (July 18, 2024).

<sup>28</sup> See [Comments of Office of the Attorney General of the Commonwealth of Massachusetts et al. to CFPB re Truth in Lending \(Regulation Z\); Consumer Credit Offered to Borrowers in Advance of Expected Receipt of Compensation for Work” 12 CFR Part 1026 \[Docket No. CFPB-2024-0032\]](#) (Aug. 30., 2024).

<sup>29</sup> *Id.*

<sup>30</sup> Connecticut S.B. 1011 (effective Oct. 1, 2023), <https://www.cga.ct.gov/2023/ACT/PA/PDF/2023PA-00126-R00SB-01033-PA.PDF>.

<sup>31</sup> Maryland Commissioner of Financial Regulation, Industry Advisory Regulatory Guidance on Earned Wage Access Products (August 1, 2023), <https://www.labor.maryland.gov/finance/advisories/advisory-ind-earnedwageaccess.pdf>.

<sup>32</sup> Candice Wang et al., Center for Responsible Lending, [A Loan Shark in Your Pocket: The Perils of Earned Wage Advance](#) at 6 (Oct. 2024).

a loan – for example, reverse mortgages are nonrecourse loans. Moreover, these lenders have recourse via the borrowers payroll or bank account and collect 97% of the time.<sup>33</sup>

Lenders also claim that their “tips,” “donations” and other charges are not finance charges because they are voluntary and it is possible to borrow money for free. But free options are slow and inconvenient, and most consumers pay fees.<sup>34</sup> The California Department of Financial Protection and Innovation (DFPI) studied nearly 6 million transactions, and found that companies use:

“Multiple strategies ... to make tips almost as certain as required fees and these charges can be quite costly. These approaches include:

- 1) Disabling a service if a borrower does not tip;
- 2) Setting default tips and using other user interface elements to making tipping hard to avoid;
- 3) Making it difficult to set a \$0 tip or not advertising that a particular payment is optional; and
- 4) Claiming that tips are used to help other vulnerable consumers or for charitable contributions.”<sup>35</sup>

Lenders push “instant” or “fast” advances, but charge borrowers inflated expedite fees up to \$8.99 even though instant payment rails cost the lender only about 4.5 cents.<sup>36</sup> Because the market for these payday advances is consumers who want fast cash and do not want to wait until payday, the vast majority pay instant access fees.<sup>37</sup> The fees may increase as the size of the advance increases, just as interest does, the fees for instant payments do not.

Payday advance lenders may also artificially limit advances to \$100 per transaction despite the amount of earned wages. Thus, a consumer who wants a \$500 advance would have to take out five loans – potentially in the same day -- paying a separate expedite fee each advance.<sup>38</sup>

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<sup>33</sup> See Financial Health Network, [Earned Wage Access and Direct-to-Consumer Advance Usage Trends](#) at p. 2 (April 2021).

<sup>34</sup> CFPB, [Data Spotlight: Developments in the Paycheck Advance Market](#) (July 2024) (“When employers do not cover the cost, nearly all workers paid a fee for expedited access to their funds.”); Center for Responsible Lending, [Survey Summary of Earned Wage Advance and Cash Advance Apps](#) (Aug. 2023) (“CRL EWA Survey”) (“Nearly 8 in 10 surveyed EWA users (79%) said they typically pay a fee to receive funds faster, with 72% who reported paying a fee doing so 1 – 2 times a week.”).

<sup>35</sup> CA DFPI, [Initial Statement of Reasons for the Proposed Adoption of Regulations Under the California Consumer Financial Protection Law and the California Financing Law, California Deferred Deposit Transaction Law, and California Student Loan Servicing Act](#). PRO 01-21 at 61-62 (Mar. 17, 2023) (“CA DFPI Statement of Reasons”).

<sup>36</sup> See Comments of NCLC, CRL et al. to the CFPB Regarding Junk Fees Imposed by Providers of Consumer Financial Products or Services (May 2, 2022), <https://www.nclc.org/resources/consumer-comments-cfpb-junk-fees-imposed-by-providers-of-consumer-financial-products-or-services/>.

<sup>37</sup> CFPB, [Data Spotlight: Developments in the Paycheck Advance Market](#) (July 2024) (“When employers do not cover the cost, nearly all workers paid a fee for expedited access to their funds.”); Calif. DFPI, [2021 Earned Wage Access Data Findings](#) at 1 (Analysis completed Q1 2023) (“CA DFPI EWA Data”) (73% of transactions from tip-based companies included a tip); CRL EWA Survey, *supra* (“Nearly 8 in 10 surveyed EWA users (79%) said they typically pay a fee to receive funds faster, with 72% who reported paying a fee doing so 1 – 2 times a week. Tipping was also common with 70% of respondents using MoneyLion, Earnin or Dave leaving tips. Of those who do leave tips, 62% of those surveyed do so most of the time or every time.”).

<sup>38</sup> See [Comments of NCLC and Center for Responsible Lending to CFPB on Truth in Lending \(Regulation Z\): Consumer Credit Offered to Borrowers in Advance of Expected Receipt of Compensation for Work \[Docket No. CFPB-2024-0032\]](#) at 23-25 (Aug. 30, 2024) (“NCLC/CRL CFPB EWA Comments”) (describing how EarnIn advertises

Apps use dark patterns<sup>39</sup> to make it difficult not to tip. The apps include tips as the default option and require the consumer to take several steps to undo the tip. The apps also send psychological messages that tipping is expected, that the consumer may suffer repercussions if they do not tip, and that the consumer is being stingy and hurting the community if they do not tip.<sup>40</sup> For example, when a consumer tried to take out an advance without tipping, one app required the consumer to suffer repeatedly through **17 messages about why tipping was important and to make 13 additional clicks** to get the advance.<sup>41</sup>

These payday advance apps harm consumers. The apps:

- Are **costly and deceptive**, often averaging **over 300% APR** while disclosing disclose 0% APR or no APR at all.<sup>42</sup> **Most consumers pay fees**, despite claims that the fees are voluntary.<sup>43</sup>
- Lead to a **cycle of debt** even worse than traditional payday loans. Using next week's paycheck to pay this week's expenses creates a shortfall in the next paycheck promoting reborrowing. Data indicate that borrowers frequently take **24 to 36 advances a year and as many as 100** – i.e., once or more every pay period.<sup>44</sup> The advances merely repay the previous advance, adding multiplying fees without supplying new liquidity.
- **Increase overdraft fees**. A recent study found that after consumers started using cash advance apps, overdraft fees increased by an average of 56%.<sup>45</sup> Half of users had zero

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the ability to “Access up to \$750/pay period” but obscures the \$100/day limit, and how MoneyLion advertises “Get Up To \$500. Fast.” “in minutes for a fee,” put has a \$100 max disbursement at time); Reddit, justagirlnamedDee (2023) (review of MoneyLion) (“They charge a fee to get funds right away, and will tell you they’ll give a certain amount (say, \$250), but you can only take up to \$100 at a time. So if you actually need that full 250, your fees triple since you have to take 3 separate advances.”).

<sup>39</sup> See Federal Trade Commission, Press Release, [FTC Report Shows Rise in Sophisticated Dark Patterns Designed to Trick and Trap Consumers](#) (Sept. 15, 2022).

<sup>40</sup> See NCLC/CRL CFPB EWA Comments.

<sup>41</sup> Screenshots on file with NCLC.

<sup>42</sup> See Lucia Constantine et al., Center for Responsible Lending, [Not Free: The Large Hidden Costs of Small-Dollar Loans Made Through Cash Advance Apps](#) at 1 (Apr. 3, 2024) (“CRL, Not Free”) (367% average APR); NCLC, Data on Earned Wage Advances and Fintech Payday Loan “Tips” Show High Costs for Low-Wage Workers (Apr. 10, 2023), <https://www.nclc.org/resources/data-on-earned-wage-advances-and-fintech-payday-loan-tips-show-high-costs-for-low-wage-workers/>; CA DFPI EWA Data, *supra* (334% average APR for tip-based companies and 331% for non-tip companies); CFPB, [Data Spotlight: Developments in the Paycheck Advance Market](#) (July 2024) (typical transaction for employer-based program had 109.5% APR).

<sup>43</sup> CFPB, [Data Spotlight: Developments in the Paycheck Advance Market](#) (July 2024) (roughly 90% of workers using an employer-based service paid at least one fee); CA DFPI EWA Data, *supra*, at 1 (73% of transactions from tip-based companies included a tip); Center for Responsible Lending, [Survey Summary of Earned Wage Advance and Cash Advance Apps](#) (Aug. 2023) (73% paid an expedite fee; 70% left tips).

<sup>44</sup> CA DFPI EWA Data at 11 (the average number of times a consumer used advances per quarter was nine and ranged from 1 to 25 times per quarter); CFPB, [Data Spotlight: Developments in the Paycheck Advance Market](#) (July 2024) (average worker who used employer-based advances had 27 transactions a year); Government Accountability Office, [“Products Have Benefits and Risks to Underserved Consumers, and Regulatory Clarity is needed”](#) (March 2023) (on average 26-33 times a year at one direct to consumer provider; 10-24 times a year by users of one employer-sponsored program). See also Candice Wang et al, Center for Responsible Lending, [A Loan Shark in Your Pocket: The Perils of Earned Wage Advance](#) at 8 (October 2024) (“A Loan Shark In Your Pocket”) (one in three users reborrowed within two weeks at least 80% of the time).

<sup>45</sup> CRL, Not Free at 6.

overdrafts in the previous three months, and newly started to overdraft on average 2.3 times, and as many as 35 times, in the next three months.<sup>46</sup>

Banks are involved in these payday advance apps and related products in a number of ways. Banks may, in partnership with the fintech:

- Disguise the advance as an overdraft on a fake deposit account offered principally for the purpose of overdrafting and offering credit, not for holding funds.
- Originate the credit for the nonbank, and potentially help the nonbank evade state interest and fee caps.
- Issue a debit card for receipt of the advances. Fees to transfer the funds from those debit cards to other accounts could in some cases be a form of disguised interest.
- Issue bank accounts designed, offered and serviced by the nonbank, with overdraft fees collected in the form of “tips.”<sup>47</sup>
- Hold funds used in connection with payday advance apps.<sup>48</sup>
- Process payments for payday advances.
- Use the bank’s mobile app as a way of distributing the advances.
- Offer the fintech’s product to the bank’s corporate client for that client’s employees, *i.e.*, by integrating the advance product into the bank’s payroll card.

Two types of arrangements bear particular note.

First, we are very concerned about the use of fake bank accounts to disguise loans. Evolve Bank’s role in disguising loans as overdrafts on fake bank accounts, and Pathward bank’s potential move in that direction, are discussed in the Section 3.2 below.

Second, the use of banks to originate credit for payday advance apps raises the possibility of a return to rent-a-bank payday loans. Rent-a-bank payday lending first appeared two decades ago, with banks helping to disguise nonbank payday loans so they could evade state rate caps. The arrangements were eventually stopped through a combination of actions by federal bank regulators, state authorities and private litigation.<sup>49</sup>

We are now starting to see banks originate balloon-payment payday advances. Chime is using Bancorp and Stride to originate the MyPay line of credit.<sup>50</sup> Pathward bank is originating employer-based earned wage advances for Clair.<sup>51</sup> In their favor, both products acknowledge

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<sup>46</sup> *Id.* See also A Loan Shark in Your Pocket at 7 (Out of EWA users who experienced overdrafts, 67% saw their overdrafts increase after initial advance use.).

<sup>47</sup> NCLC, [Comments to CFPB on Overdraft Lending at Very Large Financial Institutions Comments to the Consumer Financial Protection Bureau regarding 12 CFR 1005 and 12 CFR 1026 Docket No. CFPB-2024-0002](#) at 59-61 (Apr. 1, 2024).

<sup>48</sup> Evolve Bank holds funds for EarnIn’s Tip Yourself Accounts and Tip Jars. See <https://www.earnin.com/> (footnote 7) (last visited Oct. 11, 2024).

<sup>49</sup> See [Testimony of Lauren Saunders, National Consumer Law Center on behalf of its low income clients, Before the House Financial Services Committee on Rent-A-Bank Schemes and New Debt Traps: Assessing Efforts to Evade State Consumer Protections and Interest Rate Caps](#) at 5-6 (Feb. 5, 2020).

<sup>50</sup> <https://www.chime.com/mypay/> (last visited Oct. 30, 2024).

<sup>51</sup> <https://getclair.com/> (last visit Oct. 30, 2024).

that the advances are credit and neither solicits “tips,” at least not for these products.<sup>52</sup> It is not clear if these two programs are currently charging fees that would violate state usury laws but for the bank involvement.<sup>53</sup> But as these types of partnerships expand and change, the potential for rent-a-bank payday lending in the form of earned wage advances is clear. A longer discussion of rent-a-bank lending focused on installment loans is in Sections 6 to 11 below.

Other arrangements are risky and warrant close and ongoing scrutiny.

First Evolve Bank,<sup>54</sup> and now Bangor Bank,<sup>55</sup> have issued deposit accounts for the unlicensed and usurious payday loan platform SoLo Funds. Borrowers and peer-to-peer lenders are required to have those accounts in order to borrow or lend. SoLo Funds disguises payday loans up to 500% APR with tips that are virtually required, paid by up to 100% of borrowers who get loans on the platform.<sup>56</sup> SoLo has entered into consent decrees with California, Connecticut, DC and Pennsylvania,<sup>57</sup> and received a cease-and-desist order in Maryland,<sup>58</sup> causing it to stop lending at usurious rates.

Evolve also currently provides accounts for EarnIn,<sup>59</sup> one of the most controversial of the fintech payday advance apps discussed above.

The ways that banks are involved with new forms of payday loans continues to evolve. Even when the banks are not directly facilitating evasions, their relationships with payday advance companies poses risks to banks that align themselves with third parties that may be found to be violating the law, engaging in unfair, deceptive or abusive practices, or engaging in predatory lending. Many of these risks are discussed in Section 10 below.

### **3.2. Banks are helping fintechs disguise payday loans as overdraft fees on fake bank accounts.**

One of the most recent ways in which banks are starting to help nonbank fintechs evade the law involves the use of fake bank accounts to disguise fintech payday loans. These bank accounts are not designed to hold money, and in fact they may never hold a penny. Instead, they are

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<sup>52</sup> Chime solicits tips for its overdraft product. See Chime, [What are SpotMe® tips?](#) (last visited Oct. 7, 2024).

<sup>53</sup> Chime's MyPay is currently not offered in several states that prohibit high-cost payday loans. See Chime, <https://www.chime.com/mypay/> (“Is MyPay available only in certain states?”) (last visited Oct. 7, 2024) (providing links to terms and conditions that list eligible states, excluding Colorado, Connecticut, Georgia, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, Montana, Nevada, New Jersey, New Mexico, South Dakota, Vermont, Washington, Wisconsin and Wyoming). Clair is free in some situations and charges an expedite fee in others. That fee might exceed state usury limits in some cases.

<sup>54</sup> See [https://solofunds.com/wp-content/uploads/2023/11/TOS-11\\_30\\_2023.pdf](https://solofunds.com/wp-content/uploads/2023/11/TOS-11_30_2023.pdf).

<sup>55</sup> See <https://solofunds.com/> (last visited Oct. 7, 2024) (“Banking services provided by Bangor Savings Bank, Member FDIC.”).

<sup>56</sup> See NCLC, Press Release, CA, CT, DC Issue Orders Against Fintech Payday Loans that Solicit “Tips” (May 18, 2023), <https://www.nclc.org/ca-ct-dc-issue-orders-against-fintech-payday-loans-that-solicit-tips/>.

<sup>57</sup> Press Release, [CA, CT, DC Issue Orders Against Fintech Payday Loans that Solicit “Tips”](#) (May 18, 2023); Pennsylvania Attorney General, Press Release, [AG Henry Reaches Settlement with California-Based Lender over Alleged Illegal Tip and Donation Scheme, Saving Pennsylvanians Hundreds of Thousands of Dollars](#) (July 2, 2024).

<sup>58</sup> [Summary Order to Cease and Desist](#), In re SoloFunds, Inc., Case No. CFR-FY2023-13 (Md. Office of Fin’l Reg. Oct. 24, 2023).

<sup>59</sup> <https://www.earnin.com/evolve-bank-and-trust> (last visited 10/11/2024).

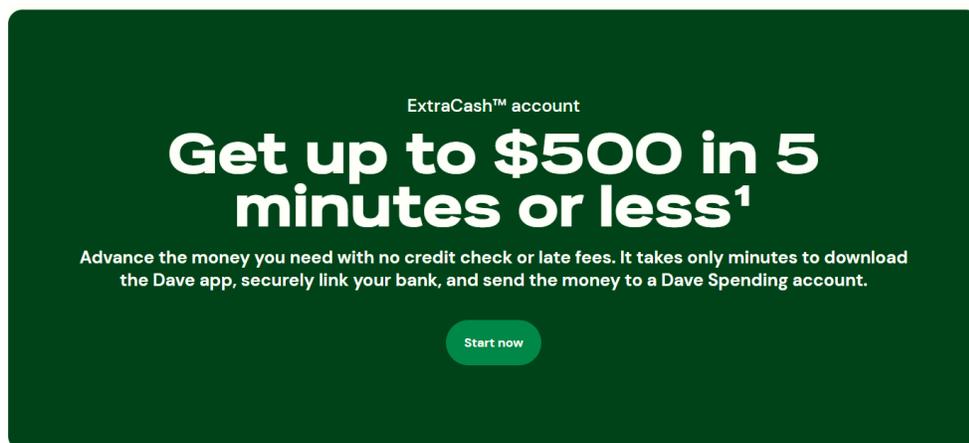
designed to conceal a loan as an overdraft on a deposit account in order to evade the TILA and state usury laws.<sup>60</sup>

Evolve Bank is currently working with the Dave app on this evasion. It appears that MoneyLion may be working with Pathward bank on the same approach.

As noted above, the CFPB recently proposed to clarify that fintech payday advances are credit and their tips and expedite fees are finance charges under the TILA. The next day, Dave put out a statement: “Dave’s ExtraCash product is structured as a bank-originated overdraft .... As a result, we believe ExtraCash and our optional fees sit within the overdraft regulatory framework that is distinguished from EWA and paycheck advance products.”<sup>61</sup> Pathward Bank appears to be working towards the same evasion. In a filing with the Securities and Exchange Commission on August 6, 2024, MoneyLion stated that it has amended its agreement with Pathward bank “in order to enable the Company to offer overdraft protection in connection with the Program Services [RoarMoney demand deposit accounts and debit cards with Pathward].”<sup>62</sup>

Dave’s ExtraCash product is far different, however, from overdraft coverage offered on a real deposit account.

Dave’s website advertises “advances,” not deposit accounts with overdraft protection:<sup>63</sup>



Dave offers an “interest-free advance between paychecks,” with screens showing “You’re approved.”<sup>64</sup> People are not “approved” in advance for overdraft services.

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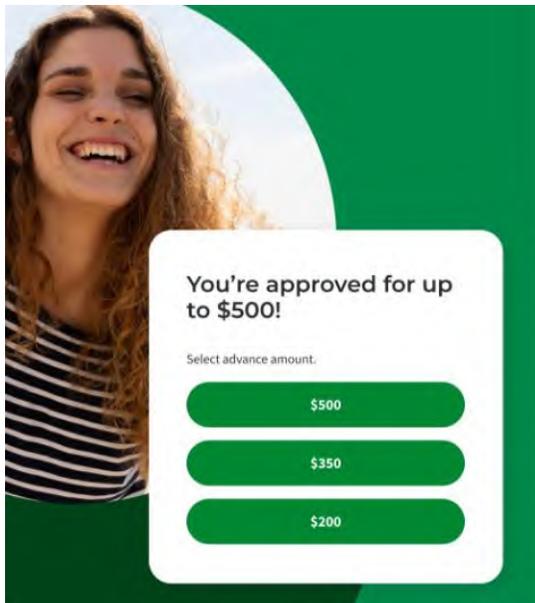
<sup>60</sup> For a longer discussion of how the evasion works, see NCLC/CRL CFPB EWA Comments at 18-23.

<sup>61</sup> Dave, Press Release, [Dave Issues Statement Regarding CFPB Proposal](#) (July 18, 2024).

<sup>62</sup> MoneyLion Inc., [SEC Form 8-K](#) at 1 (Aug. 6, 2024).

<sup>63</sup> <https://dave.com/extra-cash-advances> (last visited Oct. 30, 2024).

<sup>64</sup> *Id.*



## Life happens. ExtraCash™ can help.

Rent, bills, gas, inflation—there are countless reasons why you might need an interest-free advance between paychecks.

But the fine print in a footnote states that the advances “are provided as an overdraft, which causes the ExtraCash account to have a negative balance.”<sup>65</sup> The ExtraCash account is offered by Evolve Bank.

The footnote links to an agreement for the “Dave ExtraCash Account Deposit Agreement and Disclosures.”<sup>66</sup> Previously, the terms stated that “we will also establish a deposit account or omnibus custody account (‘Sub-Deposit Account’) opened in Evolve’s name for your benefit,” and that the two accounts “are considered a single account” and “[t]he existence of the Sub-Deposit Account is *only for internal purposes and to accommodate our business needs*, and will not affect the manner in which you use your ExtraCash Account.”<sup>67</sup> However, after that language was pointed out in a public filing,<sup>68</sup> it was removed.

“Overdrafts” are referred to in the agreement as “Advances.” Consumers are also given an “Advance Limit” that is “clearly communicated to you via the Mobile App” when consumers request a transfer.

The deposit account is limited to “a maximum balance of up to \$500” and need not contain any balance at all.<sup>69</sup> Consumers who actually want to hold deposits through Dave get the separate Dave Checking Account,<sup>70</sup> and consumers are invited to “send the money to a Dave Checking

<sup>65</sup> *Id.*

<sup>66</sup> Dave ExtraCash Account Deposit Agreement and Disclosures Last Updated October 28, 2024, <https://dave.com/extra-cash> (last visited Oct. 30, 2024) [October 2024 ExtraCash Agreement]. The previous agreement was Dave ExtraCash Account Deposit Agreement and Disclosures Last Updated August 9, 2024, <https://dave.com/extra-cash> (last visited Aug. 19, 2024) (“August 2024 ExtraCash Deposit Agreement”).

<sup>67</sup> August 2024 ExtraCash Deposit Agreement (under “B. Sub-Deposit Accounts) (emphasis added);

<sup>68</sup> See NCLC, CRL & CFA Comments in Support of CFPB’s Proposed Interpretive Rule on Earned Wage Advances at 20 (Aug. 30, 2024), [https://www.nclc.org/wp-content/uploads/2024/09/CRL.NCLC\\_.CFA-Joint-Comment-Payday-Advances-Docket-No.-CFPB-2024-0032Appendix-Corrected-9-16-24.pdf](https://www.nclc.org/wp-content/uploads/2024/09/CRL.NCLC_.CFA-Joint-Comment-Payday-Advances-Docket-No.-CFPB-2024-0032Appendix-Corrected-9-16-24.pdf) [NCLC/CRL CFPB EWA Comments].

<sup>69</sup> October 2024 ExtraCash Agreement.

<sup>70</sup> <https://dave.com/checking-account> (last visited October 18, 2024).

Account.”<sup>71</sup> The ExtraCash Account does not appear to come with any debit card, checks, bill pay, or other mechanism to spend money that might trigger an overdraft, or even to access to overdraft credit. The consumer must have a separately linked account in order to actually access and use the funds.<sup>72</sup>

Transfers of the “overdrafts” carry an optional express fee if the consumer wants the funds transferred instantly to an external bank account rather than waiting for an ACH transfer.<sup>73</sup> The idea of express fees in an overdraft situation is bizarre. True overdrafts instantly cover a pending transaction. They are not loans that are delivered on a faster or slower schedule.

The ExtraCash account, with its limited balance and purpose, is a disguised form of credit. The true substance of these advances is a loan, not an overdraft on a deposit account.<sup>74</sup> The transactions may also violate the EFTA ban on compulsory use of preauthorized electronic fund transfers to repay credit.<sup>75</sup>

Banks that assist nonbank fintechs with this type of evasion run the risk that they are violating the law.

#### **4. A handful of banks partners with predatory lenders to help them evade state interest rate laws.**

Most banks do not engage in predatory lending, and do not help predatory lenders attempt to evade the law. We have identified only seven banks that are presently assisting nonbank lenders to make loans over 100% APR and to try to evade state interest rate laws, though there are two other banks worth looking closely at.<sup>76</sup>

Republic Bank and Trust (Kentucky-chartered) is enabling:

- Enova’s (which operates payday and installment lender CashNetUSA) NetCredit-branded installment loans at rates up to 99.99% APR (along with Transportation Alliance Bank). Republic also facilitates Enova’s rent-a-bank high-cost lines of credit.
- Elevate’s Elastic-branded lines of credit at effective APRs of about 100% APR.

FinWise Bank (Utah-chartered) is enabling:

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<sup>71</sup> <https://dave.com/extra-cash-advances> (last visited Oct. 30, 2024).

<sup>72</sup> See <https://dave.com/extra-cash-advances> (last visited Oct. 18, 2024) (“Where is my ExtraCash™ advance? ... You can choose to transfer your ExtraCash™ ... to your Dave Checking: Ready in your account in seconds and ready for you to spend with your Dave debit card... To your external debit card ... To your external bank account.”).

<sup>73</sup> ExtraCash Account Fee Schedule Last Updated October 17, 2024, <https://dave.com/extra-cash/fees/8> (last visited Oct. 30, 2024).

<sup>74</sup> For a longer discussion, see NCLC/CRL CFPB EWA Comments at 18-23.

<sup>75</sup> 15 U.S.C. § 1693k. It is well established that overdrafts are credit. See NCLC, [Comments on CFPB’s Proposed Rule Governing Overdraft Lending at Very Large Financial Institutions](#), Docket No. CFPB-2024-0002, at 34-26 (Apr. 1, 2024) (“NCLC Overdraft Fee Comments”) (listing authorities). The Regulation E definition of “credit” is “the right granted by a financial institution to a consumer to defer payment of debt, incur debt and defer its payment, or purchase property or services and defer payment. Reg. E, 12 C.F.R. § 1005.2(f). A negative balance is a debt, and the deposit account agreement gives the right to set-off and collect that debt.

<sup>76</sup> See NCLC, [High-Cost Rent-a-Bank Loan Watch List](#) (updated Sept. 26, 2024). See Section 6.2 below for website cites and more details.

- Opportunity Financial, LLC (OppFi aka OppLoans), which makes installment loans at rates up to 160% APR. (OppFi also uses Capital Community Bank (CC Bank) and First Electronic Bank to enable these loans, as noted below).
- Elevate's Rise-branded installment loans at rates up to 99%-149% APR. (Elevate also uses CC Bank to enable Rise loans, noted below).
- American First Finance's secured and unsecured installment loans for purchases at retailers including furniture, appliances, home improvements, pets, auto and mobile home repair, jewelry and body art at rates up to about 161% APR.

CC Bank (Utah-chartered) is enabling:

- OppFi's installment loans at rates up to 160% APR. (OppFi also uses FinWise Bank and First Electronic Bank to enable these loans).
- Elevate Credit's Rise-branded installment loans at rates up to 99-149% APR.
- Enova's NetCredit-branded installment loans at rates up to 99.99% APR (along with Transportation Alliance Bank).
- Wheels Financial Group, LLC dba LoanMart (under the ChoiceCash brand), which makes auto title loans at rates up to 170% APR.
- CNG Financial, which operates the Check 'no Go payday loan stores and makes installment loans under the Xact brand at APRs of 145% to 193%.
- Integra's installment loans at 159% to 224% APR.
- Installments loans up to 225% APR offered through a variety of payday and online lenders including Lendly, Total Loan Services dba Quickcredit, Simple Fast Loans, and SunUp Financial dba Balance Credit.
- Lines of credit through Propel Holding's MoneyKey at an effective APR of about 200%.<sup>77</sup>

First Electronic Bank (Utah-chartered industrial loan company (ILC)) is enabling:

- Applied Data Finance, dba Personify Financial, which offers installment loans up to 179.99% APR.
- OppFi's installment loans at rates up to 160% APR (along with FinWise Bank and CC Bank).
- Propel Holding's Credit Fresh line of credit at an effective APR of over 200%<sup>78</sup> (also offered through CBW Bank).

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<sup>77</sup> The complex fee and amortization schedule makes calculating an APR difficult. See <https://www.moneykey.com/line-of-credit-loans-online/cc-flow-rates/> (last visited Oct. 30, 2024). Calculating the APR for each of the first 12 months and then taking the average yields 209% APR. The lack of transparency is another serious problem with high-cost rent-a-bank lines of credit, as discussed below.

<sup>78</sup> The complex fee and amortization schedule makes calculating an APR difficult. See <https://www.creditfresh.com/line-of-credit/cost-of-credit/> (last visited Oct. 30, 2024). Calculating the APR for each of the first 12 months and then taking the average yields 159%. The lack of transparency is another serious problem with high-cost rent-a-bank lines of credit, as discussed below.

Transportation Alliance Bank (TAB Bank) (Utah-chartered) is or has enabled:

- Duvera Billing Services dba EasyPay Finance, which makes loans at rates up to 188.99% APR through businesses across the country that sell auto repairs, furniture, home appliances, pets, wheels, and tires, among other items.
- Enova's NetCredit-branded installment loans at rates up to 99.99% APR (along with Republic Bank & Trust).
- Integra's installment loans at 149% to 224% APR.
- Snap Finance's installment loans that could reach 150% APR or higher.<sup>79</sup>

CBW Bank (Kansas-chartered) is enabling:

- Propel Holding's Credit Fresh line of credit at an effective APR of about 160% (also offered through First Electronic Bank).

Bank of Orrick (Missouri-Chartered) is enabling:

- Hyphen, LLC dba Helix Financial loans that likely reach 547% APR.

In addition, both Kendall Bank and Lead Bank were posing as fronts for Helix Financial, which has now moved on to Bank of Orrick. Lead Bank also had a partnership with LoanMe, but LoanMe has ceased operation. Kendall Bank and Lead Bank may still be involved in other rent-a-bank schemes we have not identified.

## **5. Banks that partner with providers of income share agreements face risks.**

Income Share Agreements (ISAs) are financing products that require students to pledge a portion of their future income in exchange for money to pay for school. ISAs have been touted by venture capitalists and Silicon Valley as a solution to the student debt crisis, but these products pose serious risks to students and could violate a number of federal and state laws. The ISA business model depends on questionable and possibly illegal conduct. This behavior includes firms' use of deceptive business practices, reliance on disparate impacts that harm students of color, and—most importantly—insistence that ISAs do not need to comply with federal and state consumer protection laws.

Banks that partner with ISA providers engaging in these practices face substantial risks. We highlighted these risks in our 2021 letter to the OCC about Blue Ridge Bank for its partnership with MentorWorks Education Capital.<sup>80</sup> MentorWorks continues to partner with Blue Ridge Bank

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<sup>79</sup> TAB Bank's lending partners are listed in Public Disclosure, Community Reinvestment Act Performance Evaluation, Transportation Alliance Bank, Inc., d/b/a TAB Bank Certificate Number: 34781 at 11 (April 13, 2022), [https://crapes.fdic.gov/publish/2022/34781\\_220413.PDF](https://crapes.fdic.gov/publish/2022/34781_220413.PDF). The interest rates on Snap Finance installment loans are not available on their website, but an email from a consumer attorney on file at NCLC describes a contract with 150% APR.

<sup>80</sup> See Letter from Student Borrower Protection Center et al. to Hon. Blake Paulson, Acting Comptroller, Office of the Comptroller of the Currency (Apr. 20, 2021), [https://www.nclc.org/wp-content/uploads/2022/08/Letter\\_MentorWorks\\_OCC-1.pdf](https://www.nclc.org/wp-content/uploads/2022/08/Letter_MentorWorks_OCC-1.pdf).

and continues to imply that its ISAs are not loans.<sup>81</sup> In addition, FinWise Bank partners with Stride Funding dba Clasp.<sup>82</sup> FinWise Bank is one of the banks making 160% APR or higher rent-a-bank loans in states that prohibit those rates, as discussed in Section 4 above.

ISAs can take years before payments are due and potentially many more for their problems to become apparent. It could be quite some time before regulators begin to hear complaints about problems such as large balloon payments to pay off or refinance an ISA, high payments as income increases, or less relief than anticipated when income drops or the student leaves the workforce to have a family. But these problems are inherent from the beginning and regulators must pay attention to them.

For years, ISA providers have misrepresented to consumers that their products were neither credit nor debt,<sup>83</sup> despite the fact that they meet these legal definitions. At the same time, however, ISA providers have represented that, as student loans, their products are presumptively non-dischargeable in bankruptcy.<sup>84</sup> Starting in 2021, federal and state regulators began entering consent decrees against major ISA providers for these misrepresentations.<sup>85</sup> These cases make clear that, as deferred payments, ISAs are credit products.

Although it should no longer be disputed whether ISAs are credit or debt, some providers continue to evade applicable state and federal laws. ISAs must comply with TILA and state-law equivalents,<sup>86</sup> should include FTC Holder Rule language in their contracts,<sup>87</sup> and—for ISAs used to finance postsecondary education— must meet the restrictions on private education loans

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<sup>81</sup> See <https://mentorworks.com/income-share-agreements-program/> (last visited Oct. 14, 2024) (“Unlike a loan, students do not pay until they find a job and reach the minimum income threshold.”).

<sup>82</sup> <https://www.clasp.com/nondegree> (last visited Oct. 14, 2024).

<sup>83</sup> See, e.g., Press Release, Consumer Fin. Prot. Bureau, *CFPB Takes Action Against Student Lender for Misleading Borrowers About Income Share Agreements* (Sept. 7, 2021), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-student-lender-for-misleading-borrowers-about-income-share-agreements/>.

<sup>84</sup> Press Release, Cal. Dep’t of Fin. Prot. & Innovation, *Lambda School Reaches Settlement with DFPI, Agreeing to End Deceptive Educational Financing Practices* (Apr. 26, 2021), <https://dfpi.ca.gov/2021/04/26/lambda-school-reaches-settlement-with-dfpi-agreeing-to-end-deceptive-educational-financing-practices/>.

<sup>85</sup> *Id.*; Press Release, Consumer Fin. Prot. Bureau, *CFPB Takes Action Against Student Lender for Misleading Borrowers About Income Share Agreements* (Sept. 7, 2021), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-student-lender-for-misleading-borrowers-about-income-share-agreements/>.

<sup>86</sup> Joanna Pearl & Brian Shearer, *Credit by Any Other Name: How Federal Consumer Financial Law Concerns Income Share Agreements* (July 2020), [https://protectborrowers.org/wp-content/uploads/2020/07/Pearl.Shearer\\_Credit-By-Any-Other-Name.pdf](https://protectborrowers.org/wp-content/uploads/2020/07/Pearl.Shearer_Credit-By-Any-Other-Name.pdf); Benjamin Roesch, *Applying State Consumer Finance and Protection Laws to Income Share Agreements* (Aug. 2020), <https://protectborrowers.org/wp-content/uploads/2020/08/ISAs-and-State-Law.pdf>.

<sup>87</sup> See, e.g., Press Release, Fed. Trade Comm’n, *Sollers College to Cancel \$3.4 Million in Student Debt to Resolve Charges It Used Deceptive Ads to Lure Prospective Students Into Illegal Contracts* (Oct. 18, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/10/sollers-college-cancel-34-million-student-debt-resolve-charges-it-used-deceptive-ads-lure> (discussing school’s failure to include required Holder Rule language).

imposed by the Truth in Lending Act.<sup>88</sup> In some jurisdictions, offering ISAs may trigger a requirement to obtain state licensure for consumer lending or servicing,<sup>89</sup> or may run afoul of usury restrictions.<sup>90</sup> Banks that partner with ISA providers face compliance risks when those arrangements attempt to evade important state consumer protections.

ISAs may also violate fair lending laws and civil rights protections. Some ISA underwriting models factor borrowers' choice of study and institution into the terms of the financial product. This has the effect of incorporating disparities on the basis of sex and race, resulting in more expensive products for protected classes.<sup>91</sup> Banking regulators and potential bank partners should carefully scrutinize any ISA provider's underwriting models.

## **6. Banks engaged in high-cost rent-a-bank schemes have a high risk of being found not to be the true lender.**

### **6.1. The true lender doctrine is widely recognized, posing a significant risk to rent-a-bank schemes.**

High-cost lenders use rent-a-bank schemes in an attempt to evade state usury laws. These schemes are premised on the belief that the bank's identification in the loan documents as the originator of the loan, together with nominal approval of credit decisions and underwriting criteria by the bank, and other superficial aspects of the bank's control over the loan program, will enable the lending program to benefit from the bank's ability to export its home state interest rate. However, the ability to export rates vanishes if the bank is found not to be the true lender.

The true lender doctrine is an application of the centuries-old rule that, in an effort to prevent evasions of usury laws, courts will look beyond of the form of the transaction to the substance.<sup>92</sup> At least 49 states and the District of Columbia – in hundreds of cases – have recognized the ability of courts to apply this substance-over-form principle to evasions of usury laws.<sup>93</sup> Courts

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<sup>88</sup> Memorandum from Student Borrower Protection Center to Consumer Financial Protection Bureau et al., *Income Share Agreements and TILA's Ban on Prepayment Penalties* (Mar. 30, 2020), <https://protectborrowers.org/wp-content/uploads/2021/03/ISA-Prepayment-Memo.pdf>.

<sup>89</sup> See, e.g., Press Release, Cal. Dep't of Fin. Prot. & Innovation, *California DFPI Enters Groundbreaking Consent Order with NY-Based Income Share Agreements Servicer* (Aug. 5, 2021), <https://dfpi.ca.gov/2021/08/05/california-dfpi-enters-groundbreaking-consent-order-with-ny-based-income-share-agreements-servicer/>.

<sup>90</sup> See Jen Mishory & Anthony Walsh, *ISA Industry Relies on Age-Old Strategy to Ignore Existing Regulations*, The Century Foundation (Aug. 7, 2020), <https://tcf.org/content/commentary/isa-industry-relies-age-old-strategy-ignore-existing-regulations/>.

<sup>91</sup> Stephen Hayes & Alexa Milton, *Solving Student Debt or Compounding the Crisis?: Income Share Agreements and Fair Lending Risks* (July 2020), [https://protectborrowers.org/wp-content/uploads/2020/07/SBPC\\_Hayes\\_Milton\\_Relman\\_ISA.pdf](https://protectborrowers.org/wp-content/uploads/2020/07/SBPC_Hayes_Milton_Relman_ISA.pdf).

<sup>92</sup> See *CashCall, Inc. v. Morrisey*, 2014 WL 2404300 (W. Va. May 30, 2014) (quoting *Carper v. Kanawha Banking & Trust Co.*, 207 S.E.2d 897 (W. Va. 1974) (citing *Crim v. Post*, 41 W. Va. 397, 23 S.E. 613 (1895)); *BankWest v. Oxendine*, 598 S.E.2d 343, 348 (Ga. Ct. App. 2004) (quoting *Pope v. Marshall*, 78 Ga. 635, 640, 4 S.E. 116 (1887)); *Scott v. Lloyd*, 34 U.S. (9 Pet.) 418 (1835) (The ingenuity of lenders has devised many contrivances by which, under forms sanctioned by law, the [usury] statute may be evaded. . . . [I]f giving this form to the contract will afford a cover which conceals it from judicial investigation, the [usury] statute would become a dead letter. Courts, therefore, perceived the necessity of disregarding the form, and examining into the real nature of the transaction.”).

<sup>93</sup> See NCLC, Consumer Credit Regulation § 3.9. Wyoming undoubtedly recognizes the substance-over-form doctrine as well as the other 49 states, but a case discussing it has not yet been identified.

have also applied substance-over-form doctrine to prevent evasions of federal usury and lending laws.<sup>94</sup>

For centuries, the U.S. Supreme Court has held that, to prevent usury laws from becoming “a dead letter,” courts “perceived the necessity of disregarding the form, and examining into the real nature of the transaction.”<sup>95</sup> More recently, the Court has recognized “courts’ standard practice ... of ignoring artifice when identifying the parties to a transaction.”<sup>96</sup>

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<sup>94</sup> See, e.g., *Williams v. Chartwell Fin. Servs., Ltd.*, 204 F.3d 748, 753–754 (7th Cir. 2000) (courts look to economic substance of transaction, not its form, to determine whether TILA requirements for disclosure of security interests apply); *Adams v. Plaza Fin. Co.*, 168 F.3d 932 (7th Cir. 1999) (courts must penetrate the outer form to find the inner substance when determining how nonfiling insurance must be disclosed under TILA); *Edwards v. Your Credit, Inc.*, 148 F.3d 427, 436 (5th Cir. 1998) (same); *Burnett v. Ala Moana Pawn Shop*, 3 F.3d 1261, 1262 (9th Cir. 1993) (lower court was permitted to look “past the form of the transactions to their economic substance in deciding whether [TILA] applied”); *Hickman v. Cliff Peck Chevrolet, Inc.*, 566 F.2d 44, 46 (8th Cir. 1977) (“the substance rather than the form of credit transactions should be examined in cases arising under [TILA]”); *Daniel et al. v. First National Bank of Birmingham*, 227 F.2d 353, 355, 357 (5th Cir. 1956) (“No disguise of language can avail for covering up usury, or glossing over an usurious contract. The theory that a contract will be usurious or not, according to the kind of paper bag it is put up in, or according to the more or less ingenious phrases made use of in negotiating it, is altogether erroneous. The law intends that a search for usury shall penetrate to the substances.” (quoting *Pope v. Marshall*, 4 S.E. 116, 118 (Ga. 1887)) (finding that National Bank Act usury provision applied to bank assignee of sales contract, as “the real transaction was a sale at a cash price accompanied by a loan or extension of credit to which the Bank was privy throughout.”); *Fed. Deposit Ins. Corp. v. Lattimore Land Corp.*, 656 F.2d 139, 147 n.15 (5th Cir. 1981) (noting that “the statute [the National Bank Act] does apply to usurious discounting of a note by a national bank or to usurious loans disguised as purchases of notes from an intermediary,” but unlike in *Daniel*, where “the transaction was usurious from the start and the bank was the actual lender,” in the instant case “the obligors have never claimed that Hamilton National Bank was the lender in fact.”). See also *CFPB v. CashCall*, 35 F.4th 734 (9th Cir. 2022) (applying substance over form to reject tribal choice of law provision in rent-a-tribe case).

<sup>95</sup> *Scott v. Lloyd*, 34 U.S. (9 Pet.) 418 (1835). See also *Fowler v. Equitable Trust Co.*, 141 U.S. 411, 414, 12 S. Ct. 8, 35 L. Ed. 794 (1891) (“The [usury] law will not tolerate any shift or device to evade its provisions.” (quoting *Barton v. Farmers’ & Merchants’ Nat. Bank*, 122 Ill. 352, 355, 13 N.E. 503 (1887)); *Hotel Co. v. Wade*, 97 U.S. 13, 24 L. Ed. 917 (1877) (“Usury, certainly, is not to be favored; but the rule is well settled, that, when the contract on its face is for legal interest only, then it must be proved that there was some corrupt agreement, device, or shift to cover usury, and that it was in full contemplation of the parties.”); *Junction R. Co. v. Bank of Ashland*, 79 U.S. 226, 20 L. Ed. 385 (1870) (“If a bond be not usurious by the law of the place where payable, a plea of usury cannot be sustained in an action thereon, unless it alleges that the place of payment was inserted as a shift or device to evade the law of the place where the bond was made.”); *Miller v. Tiffany*, 68 U.S. 298, 307–310, 17 L. Ed. 540 (1863) (while contractual choice of law provisions for usury are enforceable, when done with intent to evade the law, the law of the contract location applies); *De Wolf v. Johnson*, 23 U.S. 367, 385, 6 L. Ed. 343 (1825) (“Usury is a mortal taint wherever it exists, and no subterfuge shall be permitted to conceal it from the eye of the law; this is the substance of all the cases, and they only vary as they follow the detours through which they have had to pursue the money lender.”).

<sup>96</sup> *Abramski v. United States*, 57 U.S. 169, 184 (2014) (“In *United States v. One 1936 Model Ford V–8 De Luxe Coach, Commercial Credit Co.*, 307 U.S. 219, 59 S.Ct. 861, 83 L.Ed. 1249 (1939), the company could not have relied on the formalities of the sale to the “straw” purchaser when it knew that the “real owner and purchaser” of the car was someone different. *Id.*, at 223–224, 59 S.Ct. 861. We have similarly emphasized the need in other contexts, involving both criminal and civil penalties, to look through a transaction’s nominal parties to its true participants. See, e.g., *American Needle, Inc. v. National Football League*, 560 U.S. 183, 193, 130 S.Ct. 2201, 176 L.Ed.2d 947 (2010) (focusing on “substance rather than form” in assessing when entities are distinct enough to be capable of conspiring to violate the antitrust laws); *Gregory v. Helvering*, 293 U.S. 465, 470, 55 S.Ct. 266, 79 L.Ed. 596 (1935) (disregarding an intermediary shell corporation created to avoid taxes because doing otherwise would “exalt artifice above reality”). We do no more than that here in holding, consistent with § 922’s text, structure, and purpose, that using a straw does not enable evasion of the firearms law.”).

When courts have been asked to assess whether the lender named on the loan agreement is the true lender, they have overwhelmingly recognized the substance-over-form doctrine. The true lender doctrine has been recognized in a variety of contexts in at least seven federal court of appeals decisions<sup>97</sup> and dozens of state or lower federal court rulings.<sup>98</sup> Several administrative actions<sup>99</sup> have also recognized the true lender doctrine.<sup>99</sup> Twenty-four state attorneys generals have endorsed the doctrine.<sup>100</sup>

A growing number of states have also codified the true lender doctrine in their installment or payday loans statutes, including four that did so within the past few years.<sup>101</sup>

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<sup>97</sup> See *United States v. Grote*, 961 F.3d 105, 122 (2d Cir. 2020) (finding sufficient evidence of wire fraud consisting of misrepresenting the true lender where “the Tribes had no meaningful influence or control over the lending business, but rather served merely as a cover”); *Community State Bank v. Knox*, 523 Fed. Appx. 925 (4th Cir. 2013) (affirming decision that determined that state-law usury claims were not completely preempted by the FDIA merely because a state-chartered bank was the named lender; plaintiff pleaded alternative theories that payday lender was the true lender or that it engaged in other unlawful activities as a loan broker); *Community State Bank v. Strong*, 651 F.3d 1241 (11th Cir. 2011) (finding federal jurisdiction because plaintiff could “plead facts demonstrating that the Bank was not the actual lender” and thus could be held liable under RICO for aiding or abetting a usury violation; agreeing with *BankWest* that “Section 27(a) [of the FDIA] does not provide immunity to a state bank for usury-related offenses if it is not the true lender of the loan under federal law”); *Discover Bank v. Vaden*, 489 F.3d 594, 604 n.9 (4th Cir. 2007) (“In finding Discover Bank to be the real party in interest here, we emphasize the heavily fact-dependent nature of our analysis and its consequent parameters. Clearly, a state-chartered, federally insured bank will not always be the real party in interest for purposes of invoking the FDIA.”), *rev’d on other grounds*, 556 U.S. 49, 129 S. Ct. 1262, 173 L. Ed. 2d 206 (2009) (holding that complete preemption cannot be based on counterclaim to state law claim); *BankWest, Inc. v. Baker*, 411 F.3d 1289 (11th Cir. 2005) (upholding Georgia statute deeming a purported agent of a bank to be the de facto lender if it has the predominant economic interest), *reh’g granted, op. vacated*, 433 F.3d 1344 (11th Cir. 2005), *op. vacated due to mootness*, 446 F.3d 1358 (11th Cir. 2006); *Easter v. American West Fin.*, 381 F.3d 948 (9th Cir. 2004) (under Washington law, courts apply substance over form to determine whether broker, whose name was on the loan, was the true lender); *Fed. Deposit Ins. Corp. v. Lattimore Land Corp.*, 656 F.2d 139, 147, n.15 (5th Cir. 1981) (describing *Daniel et al. v. First National Bank of Birmingham*, 227 F.2d 353, 355, 357 (5th Cir. 1956), as a case where “the transaction was usurious from the start and the bank was the actual lender,” unlike in the instant case where “the obligors have never claimed that Hamilton National Bank was the lender in fact.”). See also *Williams v. Martorello*, 59 F.4th 68 (4th Cir. 2023) (affirming class certification and finding that individual defendant received most of the lenders’ gross revenue “such that he was functionally in charge of Red Rock’s lending operations—are supported by the record”); *CFPB v. CashCall*, 35 F.4th 734, 745 (9th Cir. 2022) (without addressing who was the true lender, finding choice-of-law clause invalid because examining “the economic reality of these loans . . . reveals that the Tribe had no substantial relationship to the transactions”). See also *Krispin v. May Department Stores*, 218 F.3d 919 (8th Cir. 2000) (finding complete preemption of usury claims against a store only after analyzing the facts and concluding that the store’s national bank subsidiary was the real party in interest).

<sup>98</sup> *California*: *Consumer Financial Protection Bureau v. CashCall, Inc.*, 2016 WL 4820635 (C.D. Cal. Aug. 31, 2016) (considering whether a tribe is the true lender); *Ubaldi v. SLM Corp.*, 852 F. Supp. 2d 1190 (N.D. Cal. 2012); *Sawyer v. Bill Me Later*, 2011 WL 13217239 (C.D. Cal. 2011) (granting motion to compel and agreeing with plaintiff that the determination of who is a true lender is heavily fact-dependent); *Opportunity Financial, LLC v. Hewlett, No. 22STCV08163* (Sup. Ct. Cal. Sept. 30, 2022) (<https://library.nclc.org/companion-material/opportunity-financial-llc-v-clothilde-no-22stcv08163-cal-super-ct-sept-30-2022>) (“*OppFi v. Hewlett*”) (denying demurrer after extensive review of caselaw, and finding: “In enforcing the usury protections, California courts have examined the substance of a transaction to determine its true nature. . . . As alleged, the substance is that OppFi is the lender.”).

*Colorado*: *In re Rent-Rite Superkegs West Ltd.*, 623 B.R. 335 (D. Colo. 2020) (“If the true lender is a non-bank assignee, then DIDA § 1831d cannot attach.”); *Meade v. Avant of Colorado*, 307 F. Supp. 3d 1134, 1138–1139 (D. Colo. 2018); *Meade v. Marlette Funding L.L.C.*, 2018 WL 1417706 (D. Colo. Mar. 21, 2018); *Colorado ex rel. Salazar v. Ace Cash Express*, 188 F. Supp. 2d 1282 (D. Colo. 2002) (rejecting complete preemption of claim that payday lender, which argued it was only an agent for loans made by the bank, was acting as an unlicensed lender); *Fulford v. Marlette Funding, L.L.C., et al.*, No. 17CV30376 (Colo. Dist. Ct., Denver Cnty. June 9, 2020), *available at* [www.nclc.org/unreported](http://www.nclc.org/unreported) (“Further, the Valid When Made doctrine implies that the first transaction was valid. . . . [S]uffice it to say, if [non-bank lender] Marlette were the ‘true lender,’ then the interest rates associated with loans in question were invalid in the first instance under Colorado usury law.”).

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*District of Columbia:* Dist. Of Columbia v. Elevate, 554 F. Supp. 3d 125, 137-140 (D.D.C. 2021).

*Florida:* Inetianbor v. CashCall, Inc., 2015 WL 11438192 (S.D. Fla. Dec. 8, 2015) (“because Inetianbor has raised a genuine issue of material fact as to Western Sky’s status as the actual lender, enforcement of the choice-of-law provision in the Loan Agreement would be unjust and unreasonable on a motion to dismiss”).

*Georgia:* Georgia Cash America v. Greene, 734 S.E.2d 67 (Ga. Ct. App. 2012) (triable issues existed as to whether, prior to adoption of statute, payday lender was de facto lender); BankWest Inc. v. Oxendine, 598 S.E.2d 343 (Ga. Ct. App. 2004) (“[w]e do not find *Hudson [v. Ace Cash Express, Inc.]*, 2002 WL 1205060 (S.D. Ind. May 30, 2002)] persuasive because Georgia courts apply a different analysis to the examination of an allegedly usurious transaction. To determine if a contract is usurious, we critically examine the substance of the transaction, regardless of the name given it”).

*Illinois:* Eul v. Transworld Sys., 2017 WL 1178537 (N.D. Ill. Mar. 30, 2017).

*Michigan:* Dep’t of Ins. & Fin. Servs. v. Comdata Network, Inc., 2019 WL 3857904 (Mich. Dep’t of Ins. & Fin. Servs. Aug. 7, 2019), *aff’d in part, rev’d in part by* Comdata Network, Inc. v. Michigan Dep’t of Ins. & Fin. Servs., No. 19-747-AV (Mich. Cir. Ct., Ingham Cnty. May 19, 2020) (available online as companion material to this treatise) (affirming order prior to change in statute but rescinding it after effective date of new law).

*Mississippi:* Richardson v. Cortner, 100 So. 2d 854, 857 (Miss. 1958) (evidence showed company “was not in fact a broker, but the lender. The application, ‘brokerage’ contract, and the arrangement between Southern Loan Service and the firm of Cortner and Ragland were devices to circumvent the laws against usury.”).

*New Mexico:* Dandy v. Wilmington Finance, Inc., 2010 WL 11493721 (D.N.M. May 3, 2010) (remanding case and noting: “Thus, the question raised by the Complaint is essentially a factual one—which entity actually made the loan—rather than a legal one that calls for the interpretation of federal statutes.”).

*New York:* Spitzer v. Cnty. Bank of Rehoboth Beach, 846 N.Y.S.2d 436 (N.Y. App. Div. 2007).

*North Carolina:* State *ex rel.* Cooper v. Western Sky Fin., L.L.C., 2015 WL 5091229 (N.C. Sup. Ct. Aug. 27, 2015) (plaintiffs alleged facts that lenders, not tribal members, were the de facto lender); Order Sustaining the Objection to Proof of Claim (Claim #10) Filed by Scolopax, L.L.C., *In re Twiddy*, No. 19-05790-5-JNC (Bankr. E.D.N.C. Oct. 16, 2020), *available at* [www.nclc.org/unreported](http://www.nclc.org/unreported) (sustaining objection to claim for, and finding void, usurious loans made by internet lender, where debtor alleged the lender used “a ‘straw lender’ to nominally make loans through First Electronic Bank to claim federal preemption of state consumer protection laws but because Applied Data Finance retains the economic benefits of the loans processed through its internet platform, it is, in form and substance, the ‘true lender and thus is not entitled to claim federal preemption of North Carolina’s consumer protection laws”); Goleta Nat’l Bank v. Lingerfelt, 211 F. Supp. 2d 711 (E.D.N.C. 2002).

*Ohio:* Goleta National Bank v. O’Donnell, 239 F. Supp. 2d 745 (S.D. Ohio 2002).

*Oklahoma:* Flowers v. EZPawn Oklahoma, Inc., 307 F. Supp. 2d 1191 (N.D. Okla. 2004).

*Pennsylvania:* Commonwealth v. Think Fin., Inc., 2016 WL 183289 (E.D. Pa. Jan. 14, 2016).

*Virginia:* Solomon v. American Web Loan, 2019 WL 1320790 (E.D. Va. Mar. 22, 2019) (finding that plaintiffs alleged sufficient facts to support their claim that defendants, not tribe, are the lenders in fact and the tribal entity was only a nominal lender).

*West Virginia:* West Virginia v. CashCall, 605 F. Supp. 2d 781 (S.D. W. Va. 2009) (no complete preemption where there is a factual question whether the bank was the true lender); CashCall, Inc. v. Morrissey, 2014 WL 2404300 (W. Va. May 30, 2014).

*Washington:* Sanh v. Rise Credit Service, No. C20-0310RSL, 2022 WL 16854329 (Nov. 10, W.D. Wash. 2022) (“Plaintiff has now alleged facts to support her true-lender theory, however, and if RISE played a role in the rent-a-bank scheme as described, it can arguably be held liable for plaintiff’s losses under the Consumer Protection Act.”); Sanh v. Opportunity Fin., L.L.C., 2021 WL 2530783 (W.D. Wash. June 21, 2021) (granting leave to amend as court found true lender theory “viable,” noting: “Where a non-bank entity has extended a loan, there is no state-chartered bank, there is no issue of federal insurance, state regulation of such loans would not adversely impact a banking entity’s ability to lend, and DIDA preemption would not apply,” and quoting FDIC’s recognition of “real party in interest” argument).

<sup>99</sup> *In re Financial Servs. Enterprises, d.b.a. Pioneer Capital*, 2016 WL 7840137 (Cal. Dep’t of Corp. Nov. 29, 2016) (finding that funding of loans was not dispositive of whether person was engaged in business of “making” loans where “respondent consistently held itself out as a lender and regularly conducted many activities of a lender, including performing ‘due diligence’ (i.e., collecting and evaluating information relevant to the decision to lend money and the terms on which to lend it), assessing the risk of lending to a particular client, proposing loan terms and conditions—

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which included providing for itself to take a security interest in clients' assets and for the subordination of clients' other debt—and sharing in or making the ultimate decision whether to lend"); Dep't of Ins. & Fin. Servs. v. Comdata Network, Inc., 2019 WL 3857904 (Mich. Dep't of Ins. & Fin. Servs. Aug. 7, 2019), *aff'd in part, rev'd in part by* Comdata Network, Inc. v. Michigan Dep't of Ins. & Fin. Servs., No. 19-747-AV (Mich. Cir. Ct., Ingham Cnty. May 19, 2020) (available online as companion material to this treatise) (affirming order prior to change in statute but rescinding it after effective date of new law); Assurance of Voluntary Discontinuance, *In re Avant, Inc.*, WVRE 408 Settlement Offer, at 3 (W. Va. Att'y Gen. June 2, 2016), available at [www.nclc.org/unreported](http://www.nclc.org/unreported) ("The Attorney General alleges that under the 'bank partnership' model, a company such as Avant does everything that a bank would do to make a loan to a customer. . . . Avant then turns the customer over to a Bank with which it has 'partnered' for the bank to make a final decision on whether to lend the money. Because the bank and the company have agreed on, and the bank has previously approved, the underwriting criteria in advance, the bank always loans the money.").

<sup>100</sup> See Letter from twenty-four state attorneys general to Brian Brooks, Office of the Comptroller of the Currency re: National Banks and Federal Savings Associations as Lenders, Docket No. OCC-2020-0026, at 3 (Sept. 3, 2020), available at <https://oag.ca.gov> (opposing proposed rule that would overturn the true lender doctrine and endorsing totality of the circumstances and predominant economic interest approach).

<sup>101</sup> Cal. Fin. Code §23037 (West) (in context of arrangers of payday loans); Ga. Code Ann. § 16-17-2(b)(4); 815 Ill. Comp. Stat. Ann. 123/15-5-15(b) (effective Mar. 23, 2021); Me. Stat. tit. 9-A, § 2-702 (effective Oct. 18, 2021); Minn. HF 290 (adding Minn. Stat. Ann. § 47.60(8) (effective Aug. 1, 2023); Nev. Rev. Stat. §§ 604A.5064(2)(b) (high-interest loans over 40% APR), 604A.5089(2)(b) (title loans), 604A.200 (statute governing deferred deposit, high-interest, and title loans and check cashing service); N.H. Rev. Stat. Ann. § 399-A:2(III)(c) (consumer loans under \$10,000); N.M.S.A. 58-15-3(D)(3) (additional anti-evasion language in (D)(1) and (2)) (effective Jan. 1, 2023).

In the context of bank preemption challenges to true lender claims, only two decisions have refused to look beyond the face of documents specifying that the bank is the lender.<sup>102</sup> In contrast, nearly two dozen, including three federal court of appeals decisions, have acknowledged the relevance of true lender analysis in considering substantive preemption,<sup>103</sup> complete preemption,<sup>104</sup> or bank exemptions in usury and lending statutes.<sup>105</sup>

Congress and President Biden have strongly endorsed the true lender doctrine by repealing the OCC's fake lender rule that would have repealed the true lender doctrine. As President Biden said when signing the resolution overturning the rule:

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<sup>102</sup> *Sawyer v. Bill Me Later, Inc.*, 23 F. Supp. 3d 1359 (D. Utah 2014) (finding usury claims preempted even accepting that bank is not the true lender and "this is a lending program of a non-bank attempting to circumvent California's usury law") (relying on *Hudson*); *Hudson v. Ace Cash Express, Inc.*, 2002 WL 1205060 (S.D. Ind. May 30, 2002) (refusing to look beyond the form of the transaction to the substance to consider allegation that payday lender was the actual lender and arrangement with bank was for purpose of evading state usury law).

<sup>103</sup> *BankWest, Inc. v. Baker*, 411 F.3d 1289, 1304 (11th Cir. 2005) (upholding against a preemption challenge Georgia statute deeming a purported agent of a bank to be the de facto lender if it has the predominant economic interest), *reh'g granted, op. vacated*, 433 F.3d 1344 (11th Cir. 2005), *op. vacated due to mootness*, 446 F.3d 1358 (11th Cir. 2006); *Sanh v. Opportunity Fin., L.L.C.*, 2021 WL 2530783 (W.D. Wash. June 21, 2021) (granting leave to amend as court found true lender theory "viable," noting: "Where a non-bank entity has extended a loan, there is no state-chartered bank, there is no issue of federal insurance, state regulation of such loans would not adversely impact a banking entity's ability to lend, and DIDA preemption would not apply," and quoting FDIC's recognition of "real party in interest" argument); Order Sustaining the Objection to Proof of Claim (Claim #10) Filed by Scolopax, L.L.C., *In re Twiddy*, No. 19-05790-5-JNC (Bankr. E.D.N.C. Oct. 16, 2020) (sustaining objection to claim for, and finding void, usurious loans made by internet lender, where debtor alleged the lender used "a 'straw lender' to nominally make loans through First Electronic Bank to claim federal preemption of state consumer protection laws but because Applied Data Finance retains the economic benefits of the loans processed through its internet platform, it is, in form and substance, the 'true lender and thus is not entitled to claim federal preemption of North Carolina's consumer protection laws"); *In re Rent-Rite Superkegs West Ltd.*, 623 B.R. 335 (D. Colo. Aug. 12, 2020) ("If the true lender is a non-bank assignee, then DIDA § 1831d cannot attach."); *Fulford v. Marlette Funding, L.L.C., et al.*, No. 17CV30376 (Colo. Dist. Ct., Denver Cnty. June 9, 2020), *available at [www.nclc.org/unreported](http://www.nclc.org/unreported)* (agreeing with plaintiff that preemption does not apply to non-bank lenders, and "if Marlette were the 'true lender,' then the interest rates associate with loans in question were invalid in the first instance under Colorado usury law"); *Eul v. Transworld Sys.*, 2017 WL 1178537 (N.D. Ill. Mar. 30, 2017) ("preemption does not apply ... [because] plaintiffs have alleged that Chase was not in fact the true originator"); *Commonwealth v. Think Fin., Inc.*, 2016 WL 183289 (E.D. Pa. Jan. 14, 2016) (denying motion to dismiss on preemption grounds as the complaint "alleges the Defendants, not the bank, are the real parties in interest and the Defendants are not closely tied to the [bank]"); *Ubaldi v. SLM Corp.*, 852 F. Supp. 2d 1190 (N.D. Cal. 2012) (denying motion to dismiss on preemption grounds allegation that Sallie Mae, not a national bank, was the true lender); *Sawyer v. Bill Me Later*, 2011 WL 13217239 (C.D. Cal. Apr. 11, 2011) (granting motion to compel discovery since facts are relevant to the determination of who is a true lender and thus whether the usury claim is preempted); *Goleta Nat'l Bank v. Lingerfelt*, 211 F. Supp. 2d 711 (E.D.N.C. 2002) (dismissing on standing and abstention grounds bank's and payday lender's action to enjoin state enforcement action against rent-a-bank lending; noting that preemption contention was not readily apparent as there was factual dispute as to whether national bank was actual lender.); *People ex rel. Spitzer v. Cnty. Bank of Rehoboth Beach*, 846 N.Y.S.2d 436 (N.Y. App. Div. 2007) (disagreeing with bank that loan documents alone establish who is the true lender, but reversing grant of summary judgment for state, finding disputed issues of act as to whether, under the totality of the circumstances, the bank was the true lender); *CashCall, Inc. v. Morrissey*, 2014 WL 2404300 (W. Va. May 30, 2014) (upholding predominant economic interest test to determine whether bank was the true lender). *See also* *Goleta National Bank v. O'Donnell*, 239 F. Supp. 2d 745 (S.D. Ohio 2002) (finding that bank had no standing to seek declaratory judgment on preemption grounds of state action alleging that payday lender is the true lender).

<sup>104</sup> *See* *Community State Bank v. Knox*, 523 Fed. Appx. 925 (4th Cir. 2013) (affirming decision that determined that state law usury claims were not completely preempted by the FDIA merely because a state-chartered bank was the named lender; plaintiff pleaded alternative theories that payday lender was the true lender or that it engaged in other unlawful activities as a loan broker); *Community State Bank v. Strong*, 651 F.3d 1241 (11th Cir. 2011) (finding federal jurisdiction over potential racketeering claim because federal law does not preempt usury laws if the bank is not the true lender); *Dist. of Columbia v. Elevate*, 554 F. Supp. 3d 125 (D.D.C. 2021); *Meade v. Avant of Colorado*, 307 F. Supp. 3d 1134, 1138–1139 (D. Colo. 2018); *Meade v. Marlette Funding L.L.C.*, 2018 WL 1417706 (D. Colo. Mar. 21,

The ... bill will protect borrowers against predatory lenders. In many states, these lenders are kept in check by caps on how much interest they can charge, but some loan sharks and online lenders have figured out how to get around these limits and—by using a partnership with a bank to avoid the state cap and charging outrageous interest. And I'm—you all have pointed out—some as high as 100 percent interest, which is astounding. And I must admit to you, I didn't know that. I was unaware they could pull that off.

These are so called “rent-a-bank” schemes. And they allow lenders to prey on veterans, seniors, and other unsuspecting borrowers tapping in the—trapping them into a cycle of debt. And the last administration let it happen, but we won't.<sup>106</sup>

The FDIC has also acknowledged the true lender doctrine and has provided assurance that its rule regarding the rates on assigned loans does not impact that doctrine.<sup>107</sup>

## **6.2. Numerous factors in high-cost rent-a-bank schemes lead to a high risk that the bank will not be found to be the true lender.**

High-cost rent-a-bank schemes are highly susceptible to challenge through the true lender doctrine. Several factors often present in these arrangements lend strong support to a finding that the bank is not the true lender and that the loan program is thus unlawful.

**First and foremost, the core *raison d'être* for rent-a-bank schemes – the gross disparity between the rate charged and the legal rate allowed for a nonbank lender – strongly supports a true lender challenge.** Because the true lender doctrine is focused on preventing evasions of usury laws, the greater the disparity between a loan's interest rate and the legal state rate for the nonbank lender, the greater the likelihood that it will be viewed not as

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2018); *Dandy v. Wilmington Fin., Inc.*, 2010 WL 11493721 (D.N.M. May 3, 2010); *West Virginia v. CashCall*, 605 F. Supp. 2d 781 (S.D. W. Va. 2009) (no complete preemption where there is a factual question whether the bank was the true lender); *Flowers v. EZPawn Oklahoma, Inc.*, 307 F. Supp. 2d 1191 (N.D. Okla. 2004); *Colorado ex rel. Salazar v. Ace Cash Express*, 188 F. Supp. 2d 1282 (D. Colo. 2002) (rejecting complete preemption of claim that payday lender, which argued it was only an agent for loans made by the bank, was acting as an unlicensed lender); See also *Discover Bank v. Vaden*, 489 F.3d 594, 604 n.9 (4th Cir. 2007) (“In finding Discover Bank to be the real party in interest here, we emphasize the heavily fact-dependent nature of our analysis and its consequent parameters. Clearly, a state-chartered, federally insured bank will not always be the real party in interest for purposes of invoking the FDIA.”), *rev'd* 556 U.S. 49, 129 S. Ct. 1262, 173 L. Ed. 2d 206 (2009) (holding that complete preemption cannot be based on counterclaim to state law claim).

While complete preemption is technically about federal court jurisdiction and not about substantive preemption, the factors that courts have cited in denying complete preemption often are relevant to substantive preemption as well.

<sup>105</sup> *BankWest Inc. v. Oxendine*, 598 S.E.2d 343 (Ga. Ct. App. 2004) (“We do not find *Hudson [v. Ace Cash Express, Inc.]*, 2002 WL 1205060 (S.D. Ind. May 30, 2002)] persuasive because Georgia courts apply a different analysis to the examination of an allegedly usurious transaction. To determine if a contract is usurious, we critically examine the substance of the transaction, regardless of the name given it”).

<sup>106</sup> Remarks by President Biden Signing Three Congressional Review Act Bills Into Law: S.J.RES.13; S.J.RES.14; and S.J.RES.15, 2021 WL 2679694 (June 30, 2021).

<sup>107</sup> “[T]he text of the proposed regulation cannot be reasonably interpreted to foreclose true lender claims. The rule...is premised upon a State bank having made the loan.” FDIC, Federal Interest Rate Authority, Final Rule, 85 Fed. Reg. 44,146, 44,155 (July 22, 2020).

a bank lending program but as a non-bank lending program and an unlawful evasion of state usury laws.<sup>108</sup>

In the rent-a-bank lending schemes facilitated by the banks highlighted above, there is an enormous difference between the rates charged by the lending programs and the legal rate allowed for the nonbank partner. The median state interest rate cap among states that cap interest rates is:

- 39.5% for a six-month, \$500 installment loan;
- 32.5% for a \$2,000, two-year installment loan; and
- 27% for a \$10,000, five-year loan.<sup>109</sup>

A loan over 100% APR is prohibited by almost every state that imposes any interest rate limit: by 38 states plus DC if the loan is \$500, 43 states plus DC if the loan is \$2,000, and 41 states and DC if the loan is \$10,000.<sup>110</sup> Not a single state with an interest rate limit allows a 100% APR rate on a \$2,000, two-year loan; the highest is 59%.

Yet FDIC-supervised banks are helping these nonbank lenders charge rates between 100% to 225% APR that are illegal *in almost every state*.<sup>111</sup> For example:

- **American First Finance**,<sup>112</sup> using FinWise Bank, makes secured and unsecured installment loans for purchases at retailers including furniture, appliances, home improvements, pets, auto and mobile home repair, jewelry and body art at rates up to 155% APR or higher.<sup>113</sup>
- **Applied Data Finance**, dba **Personify Financial**, using First Electronic Bank, makes loans up to 179.99% APR.<sup>114</sup>
- **CNG Financial**, which operates the Check 'no Go payday loan stores, uses CC Bank to make installment loans under the **Xact** brand at APRs of 145% to 193%.<sup>115</sup>

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<sup>108</sup> While this analysis focuses on loans over 100% APR, we are also concerned about banks that facilitate evasive and dangerous loans at rates below 36% APR. Several states prohibit large loans over 25% APR or even lower. For example, Florida has a tiered rate structure allowing 30% on the first \$3,000, 24% on the next \$1,000, and 18% on the remainder, resulting in a blended 20.51% APR rate for a \$25,000 loan. That loan would cost \$14,076 more if the rate were 36% APR. Anyone who is forced to pay 36% APR on a \$25,000 loan is likely credit impaired and struggling and would have difficult repaying that rate.

<sup>109</sup> See National Consumer Law Center, State Rate Caps for \$500 and \$2,000 Loans (Nov. 15, 2023), <https://www.nclc.org/resources/state-rate-caps-for-500-2000-loans/>.

<sup>110</sup> At the time state interest rate laws were passed, decades and up to a century ago, some states felt that loans that large would only be taken out by wealthy and sophisticated parties that did not need state rate caps to protect them. But a \$10,000 loan is not nearly as large or unusual today.

<sup>111</sup> For maps and a spreadsheet showing in which states rent-a-bank lenders are evading state interest rate limits, see NCLC, High-Cost Rent-a-Bank Loan Watch List, <https://www.nclc.org/resources/high-cost-rent-a-bank-loan-watch-list/>.

<sup>112</sup> <https://americanfirstfinance.com/> (last visited Oct. 30, 2024).

<sup>113</sup> American First Finance does not disclose its rates on its website, but contracts on file with NCLC along with complaints in the CFPB's complaints database reveal its high rates.

<sup>114</sup> <https://www.personifyfinancial.com/rates-terms-and-licensing-information> (last visited Oct. 30, 2024).

<sup>115</sup> <https://www.xact.com/> (last visited Oct. 30, 2024) (see footnote 1 and notice to consumers in certain states at the bottom of the page).

- **Duvera Billing Services dba EasyPay Finance** uses TAB Bank to make loans at rates up to 189% APR through businesses across the country that sell auto repairs, furniture, home appliances, pets, wheels, and tires, among other items.<sup>116</sup>
- **Elevate** makes Elastic-branded lines of credit, using Republic Bank, at effective APRs of about 100% APR;<sup>117</sup> Elevate also uses FinWise Bank and CC Bank to make Rise-branded installment loans at rates up to 99%-149% APR.<sup>118</sup>
- **Enova**, which operates payday and installment lender **CashNetUSA**, uses Republic Bank and TAB Bank to make **NetCredit**-branded installment loans at rates up to 99.99% APR.<sup>119</sup>
- **Hyphen, LLC dba Helix Financial**, has switched from using Lead Bank, to Kendall Bank and now Bank of Orrick to make loans that likely reach 547% APR.<sup>120</sup>
- **Integra** uses TAB Bank to make installment loans at rates of 159% to 224% APR.<sup>121</sup>
- **Opportunity Financial, LLC (OppFi aka OppLoans)** uses FinWise Bank, First Electronic Bank and CC Bank to make installment loans at rates up to 160% APR.<sup>122</sup>
- **Propel Holdings** operates the **Credit Fresh** and **MoneyKey** lines of credit. Credit Fresh uses CBW Bank and First Electronic Bank, and possibly others, and offers lines of credit with an effective APR of about 160% though no APR is disclosed.<sup>123</sup> MoneyKey operates through CC Bank and similarly does not disclose an APR but the sample loan shown has an effective APR of over 200%.<sup>124</sup>
- **Wheels Financial Group, LLC dba LoanMart** (under the **ChoiceCash** brand) uses Capital Community Bank to make auto title loans at rates up to 170% APR.<sup>125</sup>

<sup>116</sup> See Stop the Debt Trap, Predatory Puppy Loans by TAB Bank and EasyPay Finance (Feb. 2022), [https://www.nclc.org/wp-content/uploads/2022/09/IB\\_Easypay\\_Puppy\\_Loans\\_Feb22.pdf](https://www.nclc.org/wp-content/uploads/2022/09/IB_Easypay_Puppy_Loans_Feb22.pdf); Stop the Debt Trap, Predatory Auto Repair Loans by TAB Bank and EasyPay Finance (May 2022), [https://www.nclc.org/wp-content/uploads/2022/09/Rpt-TAB\\_Auto\\_Repair-5.11.22.pdf](https://www.nclc.org/wp-content/uploads/2022/09/Rpt-TAB_Auto_Repair-5.11.22.pdf).

<sup>117</sup> See Elevate Credit, Inc., SEC Form 10-Q for the period ending Sept. 20, 2022 at 48, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1651094/000165109422000057/elvt-20220930.htm> (describing the effective APR on a \$2,500 draw on the Elastic line of credit if all minimum payments are made as 107% APR).

<sup>118</sup> <https://www.risecredit.com/how-online-loans-work#WhatItCosts> (last visited Oct. 30, 2024).

<sup>119</sup> <https://www.netcredit.com/rates-and-terms> (last visited Oct. 30, 2024).

<sup>120</sup> The Helix website, HelixFi.com, notes that it offers installment loans and lines of credit but does not disclose the rates. However, a recent lawsuit accuses Helix of charging 547% for a \$700 loan purportedly from Lead Bank, and states that “since 2019, Defendant has jumped around from bank to bank, using at least three different state-chartered, FDIC-backed banks—Lead Bank, Kendall Bank, and Bank of Orrick—as cover for its scheme.” Class Action Complaint at 13, Childs v Hyphen, LLC dba Helix Financial, and Lead Bank, No. 1:23-cv-00197-LAG (M.D. Ga. filed Nov. 11, 2023). The complaint describes the similarities in the website, contact information and other items as Helix changed from being a “brand” of Lead Bank to a “brand of Kendall Bank” to a “brand of Bank of Orrick.” *Id.* at 14-15.

<sup>121</sup> <https://www.integracredit.com/rates-and-terms> (last visited Oct. 30, 2024).

<sup>122</sup> <https://www.opploans.com/rates-and-terms/> (last visited Oct. 30, 2024).

<sup>123</sup> See *supra* note 78.

<sup>124</sup> See *supra* note 77.

<sup>125</sup> <https://www.choicecash.com/> (last visited Oct. 30, 2024). Rates are not on the website, but a sample loan formerly on the website was a 3-year, \$3,000 loan at 170% APR.

- A variety of smaller payday and online lenders including **Balance Credit, Lendly, Quickcredit, and Simple Fast Loans** offer installment loans up to 225% APR through CC Bank.<sup>126</sup>

These rates are far in excess of the rates allowed in the states where these rent-a-bank schemes are lending.

**Second, courts often find that the bank is not the true lender when the nonbank entity that is actively involved<sup>127</sup> in the loan program (or a related entity) has the predominant economic interest in the loans.**<sup>128</sup> An entity may have the predominant economic interest in the loans even if it holds only an indirect interest in the loans, interest, or receivables.

Litigation to date indicates that the nonbank entities in high-cost rent-a-bank schemes often have the overwhelming economic interest in the loan program. For example, the District of Columbia Attorney General’s Office (DC AG) alleged, based on its investigation, that “Elevate receives revenue through two Cayman Islands special purpose vehicles—EE SPV and ESPV—that purchase a 96% interest in the receivables for the Rise loans and a 90% interest in the receivables for the Elastic loans, respectively.”<sup>129</sup> Similarly, the DC AG found that OppFi purchases “nearly all” of the receivables on its rent-a-bank loans, and that for each customer who provides \$1,657 in revenue, almost all of that revenue goes to OppFi as profit or to cover its costs; the bank realizes only a portion of the \$138 in servicing costs.<sup>130</sup> The California Department of Financial Protection and Innovation also found that OppFi purchases between 95 to 98 percent of the receivables for each rent-a-bank loan.<sup>131</sup>

But a nonbank might have the overall predominant economic interest even if the transaction is structured to keep its revenue share below 50%.<sup>132</sup> An entity’s economic interest in a loan program is not only the reward (i.e., direct or indirect interest in the revenues or profits) but also by the risk (expenses, risk of defaults, and other liabilities).<sup>133</sup> With excess profits to spare,

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<sup>126</sup> The Center for Economic Integrity, an Arizona-based community and advocacy organization, recently documented Capital Community Bank’s rent-a-bank schemes in detail as part of a complaint the organization filed with the FDIC about the high-cost lending the bank is enabling in Arizona. See these details and the organization’s complaint at <https://economicintegrity.org/?p=2875>.

<sup>127</sup> The predominant economic interest test focuses on entities that have enough of a role in the loan program to consider them the true lender. Passive investors who have no role in the loan program and no connection to an entity with such a role do not become the true lender even if a bank that actively designed and is actively running a loan program is ultimately funded by passive investors, or through passive securitization trusts that play only a ministerial role. *Cf. Chase v. Capital One Funding*, 489 F. Supp. 3d 33 (E.D.N.Y. 2020) (describing process of securitizing national bank’s credit card receivables through passive shell-company intermediaries with no employees, and finding that it would significantly interfere with the power of the national bank that controlled the credit card program to subject the credit cards to the interest rate limits of the states of its customers if the bank wished to engage in the “commonplace banking practice of securitizing its receivables”).

<sup>128</sup> See NCLC, Consumer Credit Regulation § 3.5.4.3.2 (citing cases).

<sup>129</sup> *Dist. of Columbia v. Elevate*, 554 F. Supp. 3d 125, 138 (D.D.C. 2021).

<sup>130</sup> Complaint for Violations of the Consumer Protection Procedures Act at 3, 4, No. 2021 CA 001072B (Sup. Ct. DC filed Apr. 5, 2021), <https://oag.dc.gov/sites/default/files/2021-04/OppLoans-Complaint-final.pdf>.

<sup>131</sup> *OppFi v. Hewlett*, *supra*, at 2.

<sup>132</sup> *Cf. Georgia Cash America v. Greene*, 734 S.E.2d 67, 73 (Ga. Ct. App. 2012) (after Georgia passed true lender statute, payday lender restructured arranged to ensure it received only a 49% economic interest in loan, but the remaining aspects of the relationship with the bank remained the same, and the payday lender might be the true lender if it “by contrivance, device, or scheme, attempted to avoid the provisions” of Georgia law).

<sup>133</sup> See, e.g., *Dist. of Columbia v. Elevate*, 554 F. Supp. 3d 125 (D.D.C. 2021) (“Elevate provides credit protection to [the Cayman Islands special purpose vehicles] against [Rise and Elastic] loan losses. This credit protection places

lenders may give the bank more than half the profits, but carry the bulk of the risk. Indeed, the fact that the nonbank shoulders the lion's share of the risk, and thus likely has effective control over the core of the lending program that impacts that risk, is a particularly salient factor in finding that it is the true lender.

**Third, numerous other factors can show that the nonbank is the true lender, as the true lender test is a “totality of the circumstances” substance-over-form test that looks at whether the effect of the transaction has been structured to attempt to evade usury law.**<sup>134</sup> Predominant economic interest is not the sole or a required factor, and a nonbank entity may be the true lender even if holds less than a predominant economic interest.<sup>135</sup> In addition to predominant economic interest, other factors that point to the nonbank as the true lender include when the nonbank (or a related entity):

- Lends directly under its own name in some states and lends through a bank in states that prohibit high rates;
- Lends through more than one bank or has the right to change the entity that originates the credit, indicating that the bank is fungible;
- Designs, brands, or holds the intellectual property on the loan product and collateral;
- Drafts the loan documents;
- Markets and offers the loan, or runs the website or storefront;
- Takes and processes applications;
- Designs the underwriting criteria, reviews applications, or makes approval decisions or recommendations;

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the risk of losses on Elevate.” (quoting complaint)); *Meade v. Avant of Colorado, L.L.C.*, 307 F. Supp. 3d 1134, 1147 (D. Colo. 2018) (non-bank pays all of the legal fees and expenses, indemnifies the bank against claims, and bears all the risk in the event of default); *Flowers v. EZPawn Oklahoma, Inc.*, 307 F. Supp. 2d 1191 (N.D. Okla. 2004) (payday lender “accepts the ultimate credit risk”).

<sup>134</sup> See, e.g., *Eul v. Transworld Sys.*, 2017 WL 1178537 (N.D. Ill. Mar. 30, 2017); *Consumer Financial Protection Bureau v. CashCall, Inc.*, 2016 WL 4820635 (C.D. Cal. Aug. 31, 2016) (considering whether a tribe is the true lender); *Ubaldi v. SLM Corp.*, 852 F. Supp. 2d 1190 (N.D. Cal. 2012); *Dep’t of Ins. & Fin. Servs. v. Comdata Network, Inc.*, 2019 WL 3857904 (Mich. Dep’t of Ins. & Fin. Servs. Aug. 7, 2019), *aff’d in part, rev’d in part by Comdata Network, Inc. v. Michigan Dep’t of Ins. & Fin. Servs.*, No. 19-747-AV (Mich. Ingham Cnty., 30th Jud’l Cir. Ct. May 19, 2020) (available online as companion material to this treatise) (affirming order prior to change in statute but rescinding it after effective date of new law); *People ex rel. Spitzer v. Cnty. Bank of Rehoboth Beach*, 846 N.Y.S.2d 436 (N.Y. App. Div. 2007). See also [Letter from 24 State Attorneys General to Brian Brooks](#), Office of the Comptroller of the Currency re: National Banks and Federal Savings Associations as Lenders, Docket No. OCC-2020-0026, at 3 (Sept. 3, 2020), available at <https://oag.ca.gov> (opposing proposed rule that would overturn the true lender doctrine and endorsing totality of the circumstances and predominant economic interest approach); *Kaur v. World Business Lenders, L.L.C.*, 440 F. Supp. 3d 111 (D. Mass. 2020) (recognizing totality of circumstances approach and Massachusetts cases involving rent-a-bank or rent-a-tribe issues but declining to weigh in on true lender doctrine).

A number of other cases have considered a variety of factors without specifically mentioning the “totality of the circumstances.” See *Dist. of Columbia v. Elevate*, 554 F. Supp. 3d 125, (D.D.C. 2021); *Meade v. Avant of Colorado*, 307 F. Supp. 3d 1134, 1138–1139 (D. Colo. 2018); *Meade v. Marlette Funding L.L.C.*, 2018 WL 1417706 (D. Colo. Mar. 21, 2018); *Georgia Cash America v. Greene*, 734 S.E.2d 67 (Ga. Ct. App. 2012).

<sup>135</sup> See *Georgia Cash America v. Greene*, 734 S.E.2d 67, 73 (Ga. Ct. App. 2012) (even if facts show that payday lender received only a 49% economic interest in loan purportedly originated by bank, under Georgia codification of true lender doctrine, the payday lender may be the true lender if it “by contrivance, device, or scheme, attempted to avoid the provisions” of Georgia law).

- Has a high level of control over the loans as shown by conditions on a term sheet or otherwise;
- Provides the ultimate funding;
- Maintains a cash collateral account at the bank to secure payment for the loans or receivables purchased;
- Services the loan, handles customer service and manages collections;
- Trains, supervises, or monitors the employees who deal with borrowers and service the loans;
- Bears, directly or indirectly, the primary risk of significant loss or expenses from the borrower's default;
- Pays expenses;
- Indemnifies or otherwise protects the bank from risks; and/or
- Directly or indirectly is expected to purchase, has first right of refusal to purchase, or ultimately holds the bulk of the loans, receivables, or participation interests.<sup>136</sup>

Many of the factors listed above are common in the rent-a-bank schemes discussed in this paper,<sup>137</sup> making clear that the banks involved in these schemes are not the true lenders. As discussed in Section 3 below, if the bank is not the true lender, the bank faces significant potential liability and other safety and soundness risks.

**6.3. Rent-a-banks face a safety and soundness Catch-22: The more they protect themselves from the risks of predatory partnerships, the more likely it is that they are not the true lender and the loans are illegal.**

Banks use a number of mechanisms to attempt to protect themselves from the compliance, credit, operational and other risks of predatory loans with high default rates. But they face a Catch-22, because the more they protect themselves from those risks, the more likely that the bank is not the true lender, making the loans usurious and illegal and placing the bank at risk, as explained in Section 3 below.

Rent-a-bank schemes attempt to protect banks from these risks in a number of ways:

- The bank sells most of the receivables to the nonbank, in an attempt to offload default risk.
- The nonbank may provide credit protection against defaults.
- The nonbank may keep funds on deposit with the bank to fulfill its purchase obligations.
- The nonbank may bear the bulk of the expenses.
- The nonbank may indemnify the bank from some or all risks of liability and other risks.

<sup>136</sup> See NCLC, Consumer Credit Regulation §3.5.4.3.2.

<sup>137</sup> See, e.g., *District of Columbia v. Elevate Credit, Inc.* 554 F.Supp.3d 125 (D.D.C. 2021); *Complaint for Violations of the Consumer Protection Procedures Act, District of Columbia v. Opportunity Financial, LLC* (Sup. Ct. D.C. filed Apr. 6, 2021), <https://oag.dc.gov/sites/default/files/2021-04/OppLoans-Complaint-final.pdf>.

Yet, the more that a bank attempts to protect itself from the risks of third-party high-cost lending arrangements, the more likely it is that the nonbank will be viewed as the true lender. Factors that shield the bank from risk have been cited by courts to find that the bank is not the true lender.<sup>138</sup> And, as discussed above, if the nonbank shoulders the predominant risk of default, it has the predominant economic interest.

Thus, the risk of predatory rent-a-bank loans cannot be avoided.

#### **6.4. Recent developments show the increasing risk of true lender challenges.**

With increasing frequency in recent years, rent-a-bank schemes have been subject to litigation or regulatory challenges on the basis that the bank is not the true lender. States have also been tightening their lending statutes to strengthen their ability to attack rent-a-bank schemes. When challenges succeed, banks can themselves be liable in a number of ways, both for directly participating in and facilitating a usurious lending scheme, and for deceptive practices or debt collection violations for giving the false impression that a loan is legal and attempting to collect unlawful interest or a void loan.<sup>139</sup> In addition, as the noose tightens on rent-a-bank schemes and lenders pull out of more and more states, the business model of these lending programs becomes increasingly less viable.

While the result of any individual litigation is not certain, the likelihood that rent-a-bank schemes will result in litigation is hardly hypothetical. Every one of the five banks discussed in this paper is involved with at least one program that has faced a government enforcement action in the last few years. In addition to usury claims, many of these cases also assert other legal violations, in particular unfair and deceptive practices. While these actions have primarily been against the non-bank partner, the attacks on these schemes still pose risks to the bank for the reasons explained in Section 3 below. (The bank regulators must also ensure that these enforcement actions against the non-bank lenders are being reported to the bank,<sup>140</sup> and the bank in turn should be reporting them to their regulator.)

Recent enforcement actions and lawsuits against rent-a-bank schemes include:

- In June 2020, the Attorney General of the District of Columbia (DC) sued Elevate for violating its interest rate cap. The suit alleges that Elevate charged up to 42 times the DC's permissible rate limits, "unlawfully burden[ing] over 2,500 financially vulnerable District residents with millions of dollars of debt."<sup>141</sup> In remanding the case from federal to DC court, a federal court found that the AG's allegations are similar enough to older rent-a-bank schemes for the court to conclude that "the District has sufficiently alleged

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<sup>138</sup> See, e.g., *Dist. of Columbia v. Elevate*, 554 F. Supp. 3d 125, 130 (D.D.C. 2021) (noting that the bank's interests are protected by a requirement that a special purpose vehicle maintain cash collateral to secure its obligations to purchase the loans); *id.* at 139 ("Elevate provides credit protection to [the Cayman Islands special purpose vehicles] against [Rise and Elastic] loan losses. This credit protection places the risk of losses on Elevate." (quoting complaint)); *Meade v. Avant of Colorado, L.L.C.*, 307 F. Supp. 3d 1134, 1147 (D. Colo. 2018) (non-bank "bears all the risk on the loans in the event of default, ... pays all the legal fees and expenses related to the lending program ... and indemnifies [the bank] against all claims arising from [the bank's] involvement in the loan program"); *Flowers v. EZPawn Oklahoma, Inc.*, 307 F. Supp. 2d 1191 (N.D. Okla. 2004) (payday lender "accepts the ultimate credit risk").

<sup>139</sup> See *CFPB v. CashCall*, 35 F.4th 734, 739 (9th Cir. 2022); NCLC, Consumer Credit Regulation § 2.4.1.3.5 (deception and nondisclosure).

<sup>140</sup> Third-Party Relationships, 88 Fed. Reg. at 37932.

<sup>141</sup> Office of the Attorney General of the District of Columbia, Press Release, AG Racine Sues Predatory Online Lender For Illegal High-Interest Loans To District Consumers (June 5, 2020), <https://oag.dc.gov/release/ag-racine-sues-predatory-online-lender-illegal>.

that Elevate is the true lender of the Rise and Elastic loans.”<sup>142</sup> In February 2021, Elevate, which had earlier stopped lending in DC in response to the investigation, agreed to a nearly \$4 million settlement with DC.<sup>143</sup>

- In April 2021, the DC AG sued OppFi, stating that “OppFi lures vulnerable borrowers in with false promises, and then forces them to pay interest rates that far exceed what is allowed in the District.”<sup>144</sup> In December 2021, the DC AG won a \$2 million settlement against OppFi for making illegal loans to over 4,000 DC residents.<sup>145</sup> The case also alleged that the company misrepresented that its loans would help consumers build credit when its own underwriting model anticipated that up to one third of its borrowers would be unable to repay and default.
- In June 2021, a federal court in Washington State granted leave to file an amended complaint against Elevate Credit, finding the true lender theory of liability “viable.”<sup>146</sup>
- In December 2021, the California Department of Financial Protection and Innovation (DFPI) announced a consent order to resolve its investigation into whether Wheels Financial Group, LLC (dba LoanMart), was evading California’s newly-enacted interest rate cap. LoanMart agreed to stop making loans above 36% in California for 21 months, until September 2023.<sup>147</sup>
- In April 2022, the California DFPI filed a cross complaint against OppFi after OppFi sued for declaratory relief to attempt to stop DFPI’s enforcement investigation. On September 30, 2022, the trial court overruled OppFi’s demurrer, finding that California law recognizes the “true lender” doctrine.
- In November 2022, a federal court in Washington State rejected Elevate’s motion to dismiss a rent-a-bank claim, finding that the plaintiffs had “adequately pled that FinWise [Bank] has essentially rented its charter to Elevate for the purpose of charging usurious interest rates to Washington consumers,” and if true, preemption would not apply.<sup>148</sup>

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<sup>142</sup> 554 F.Supp.3d 125, 139 (D.D.C. 2021).

<sup>143</sup> See Office of the Attorney General of the District of Columbia, Press Release, AG Racine Announces Nearly \$4 Million Settlement with Predatory Online Lender That Will Compensate Thousands of District Consumers (Feb. 8, 2021), <https://oag.dc.gov/release/ag-racine-announces-nearly-4-million-settlement#:~:text=Racine%20today%20announced%20that%20Elevate.pay%20%24450%2C000%20to%20the%20District>.

<sup>144</sup> See Office of the Attorney General of the District of Columbia, Press Release, AG Racine Sues Online Lender for Making Predatory and Deceptive Loans to 4,000+ District Consumers (Apr. 6, 2021), <https://oag.dc.gov/release/ag-racine-sues-online-lender-making-predatory-and>.

<sup>145</sup> See Office of the Attorney General of the District of Columbia, Press Release, AG Racine Announces Over \$2 Million Settlement with Predatory Online Lender Will Compensate Thousands of District Consumers (Nov. 30, 2021), <https://oag.dc.gov/release/ag-racine-announces-over-2-million-settlement>.

<sup>146</sup> *Sanh v. Opportunity Fin'l, LLC*, 2021 WL 2530783 (W.D. Wash. June 21, 2021). Although the title of the court’s opinion mentions Opportunity Financial, the plaintiff settled as to OppFi and the amended complaint was against Elevate Credit and its Rise Credit brand. See Amended Class Action Complaint, *Sanh v. Rise Credit Service of Texas, LLC dba Rise and Elevate Credit, Inc.* No. 2:20-cv-00310-RSL (W.D. Wash. Filed June 22, 2021).

<sup>147</sup> See Calif. Dept. of Fin'l Prot'n & Innov., Press Release, DFPI Reaches Agreement to End High-Interest Rate Loans Marketed by LoanMart for 21 Months (Dec. 14, 2021), <https://dfpi.ca.gov/2021/12/14/dfpi-reaches-agreement-to-end-high-interest-rate-loans-marketed-by-loanmart-for-21-months/>.

<sup>148</sup> *Sanh v. Rise Credit Service*, 2022 WL 16854329 at \*2 (Nov. 10, W.D. Wash. 2022).

- In December 2022, the Iowa Attorney General entered into an Assurance of Discontinuance with TAB Bank that requires the bank to stop issuing loans for EasyPay Finance and to refund money to consumers who were charged illegal interest rates, which are limited to 21% in Iowa.<sup>149</sup> Iowa law makes it easier to attack the bank directly, because the state has opted out of rate exportation by state-chartered banks.
- In April 2023, the Colorado Attorney General's office entered into a consent decree with EasyPay Finance over its rent-a-bank loans, prohibiting EasyPay from lending in Colorado and requiring it to pay \$275,000 in restitution to Colorado borrowers.<sup>150</sup>
- In July 2023, the District of Columbia Attorney General also entered into a settlement with EasyPay, including \$216,548.83 in restitution and an agreement to stop lending above the District's interest rate cap.<sup>151</sup>
- Several private rent-a-bank cases have been filed against OppFI.<sup>152</sup>
- In November 2023, a rent-a-bank class action was filed against Lead Bank and Helix Financial (which is now using Bank of Orrick). The complaint included both federal and state RICO claims against the bank.<sup>153</sup>

In September 2024, Wheels Financial which offers LoanMart and ChoiceCash auto title lending, revealed that the Oregon Department of Business and Consumer Services has been threatening an enforcement action for its rent-a-bank lending. Wheels is seeking declaratory and injunctive relief to stop the enforcement action.<sup>154</sup>

Moreover, since 2021, six states have adopted legislation to codify the true lender doctrine and to enact strong anti-evasion rules: Illinois,<sup>155</sup> Maine,<sup>156</sup> New Mexico,<sup>157</sup> and most recently

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<sup>149</sup> See Clark Kauffman, Iowa Capital Dispatch, Iowa consumers to collect refunds for 'predatory' pet loans, auto-repair loans (Dec. 21, 2022), <https://www.3newsnow.com/news/local-news/iowa-consumers-to-collect-refunds-for-predatory-pet-loans-auto-repair-loans>.

<sup>150</sup> Colorado Attorney General's Office, Press Release, Colorado Attorney General's Office settles with lender for exceeding state interest rate limits on consumer loans, secures \$275K in restitution (Apr. 24, 2023), <https://coag.gov/press-releases/4-24-23/#:~:text=Under%20the%20settlement%2C%20EasyPay%20agreed.stop%20collecting%20on%20defaulted%20loans>.

<sup>151</sup> Office of the District of Columbia Attorney General, Press Release, Ag Schwalb Secures Comprehensive Financial Relief for Consumers Deceived By Predatory Lender (July 12, 2023), <https://oag.dc.gov/release/ag-schwalb-secures-comprehensive-financial-relief#:~:text=Schwalb%20today%20announced%20that%20EasyPay,DC's%20legally%20allowed%20maximum%20rate>.

<sup>152</sup> See, e.g., Michael v. Opportunity Financial, No. 1:22cv529 (W.D. Tex. filed June 1, 2022); Johnson v. Opportunity Financial, No. 3:22-cv-190 (E.D. Va. Filed April 6, 2022); Carpenter v. Opportunity Financial, No. 2:21-cv-09875 (C.D. Cal. Filed Dec. 22, 2021); Sanh v. Opportunity Financial, No. 20-00002-02268-3 SEA (King Co., Wash. Sup. Ct filed Jan. 27, 2020), removed as No. C20-0310RSL (W.D. Wash. Feb. 26, 2020).

<sup>153</sup> See Class Action Complaint, Childs v Hyphen, LLC dba Helix Financial, and Lead Bank, *supra*. The case has been settled and dismissed.

<sup>154</sup> Complaint, Wheels Financial Group, LLC v. Stolfi, No. 3:24-cv-1543 (D. Ore. filed Sept. 12, 2024).

<sup>155</sup> 815 Ill. Comp. Stat. Ann. 123/15-5-15(b) (effective Mar. 23, 2021).

<sup>156</sup> Me. Stat. tit 9-A, § 2-702 (effective Oct. 18, 2021).

<sup>157</sup> N.M.S.A. 58-15-3(D)(3) (additional anti-evasion language in (D)(1) and (2) (effective Jan. 1, 2023).

Connecticut,<sup>158</sup> Minnesota<sup>159</sup> and Washington.<sup>160</sup> They join Georgia and other states that have older true lender statutes.<sup>161</sup> A statutory true lender doctrine is not necessary to assert the true lender doctrine, which is simply an application of the centuries' old rule that courts may look beyond the form of a transaction to the substances to prevent evasions of usury laws. But having the doctrine codified in statute increases the risks to the lender.

Triple-digit rate rent-a-bank lenders generally stay out of states that have codified the true lender doctrine, that have been active in bringing enforcement actions and enforcing their usury laws, or that have strong caselaw endorsing the true lender doctrine. There is now little triple-digit rent-a-bank lending in Colorado, DC, Georgia, Illinois, Iowa, Maine, Maryland, Massachusetts, New Hampshire, New Mexico, New York, Pennsylvania, South Dakota, Vermont and West Virginia.<sup>162</sup> As the number of those states grow – and are joined by large states like California that have stepped up enforcement – the risks to lending programs that depend on the fiction that the bank is the lender only increase. The footprint for these loans will become smaller and smaller, making the lending scheme less and less viable and more vulnerable to collapse.

In addition to true lender challenges, states are beginning to address these abuses by revisiting the interest rate exportation that rent-a-bank schemes depend on. In June 2023, the State of Colorado enacted a law opting Colorado out of the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA).<sup>163</sup> Predatory rent-a-bank lending drove the effort to opt out, which is being considered by other states.<sup>164</sup>

## **7. Banks face serious risks if they are not the true lender.**

### **7.1. Banks face safety and soundness risks if their lending programs are unlawful.**

The legality of rent-a-bank lending programs hinges on the false claim that the bank is the lender. If the bank is not the true lender, then the interest rates are illegal, posing several

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<sup>158</sup> Connecticut S.B. 1011 (effective Oct. 1, 2023), <https://www.cga.ct.gov/2023/ACT/PA/PDF/2023PA-00126-R00SB-01033-PA.PDF>.

<sup>159</sup> Minn. HF 290 (adding Minn. Stat. Ann. § 47.60(8) (effective Aug. 1, 2023), Minnesota's statute governs loans up to \$1,300. But Minnesota's substance-over-form usury caselaw can be used for other loans.

<sup>160</sup> Wash. SB 6025 (2023-24), *codified at* RCW 31.04.025(2), (3), RCW 31.040.027(1)(o).

<sup>161</sup> Ga. Code Ann. § 16-17-2(b)(4) (“A purported agent shall be considered a de facto lender if the entire circumstances of the transaction show that the purported agent holds, acquires or maintains a predominant economic interest in the revenues generated by the loan.”); Cal. Fin. Code § 23037 (West) (exempting arrangers for, agents of or assistants to banks from payday loan statute as long as several criteria are satisfied, including that the bank does not sell “a preponderant economic interest” in the loan to the agent unless selling the preponderant economic interest is expressly permitted by the bank’s primary regulator); Nev. Rev. Stat. §§ 604A.5064(2)(b) (high-interest loans over 40% APR), 604A.5089(2)(b) (title loans), 604A.200 (applying provisions of statute governing deferred deposit, high-interest, and title loans and check cashing services to any person who seeks to evade it, including by “making a loan while purporting to be the agent of such an exempt entity where the purported agent holds, acquires or maintains a preponderant economic interest in the revenues generated by the loan”); N.H. Rev. Stat. Ann. § 399-A:2(III)(c) (same) (consumer loans under \$10,000).

<sup>162</sup> See NCLC, Consumer Rent-a-Bank Watch List (50-state spreadsheet), <https://docs.google.com/spreadsheets/d/1XJxKzS6e9hgkRFYAr3idNkLVUcHZmuAm/edit#gid=1917677263>.

<sup>163</sup> Colo. HB23-1229 (2023 regular session), to be codified at Colo. Rev. Stat. § 5-13-106.

<sup>164</sup> See Polo Rocha, American Banker, Colorado’s new law on high-cost lending may be a model for other states (June 7, 2023), <https://www.americanbanker.com/news/colorados-new-law-on-high-cost-lending-may-be-a-model-for-other-states>.

potential consequences to banks. These consequences for not being the true lender are described in the subsequent subsections, and include the risk that:

- The bank could be subject to significant liability, even criminal liability, for facilitating unlawful loans and the collection of unlawful debt. That liability could significantly exceed any profit that the bank earns from the illegal program.
- The bank could suffer credit losses if the receivables kept on its books are not repaid.
- The nonbank partner could fail to fulfill its commitment to purchase loans or receivables that the bank expected to sell, enhancing the risk of nonpayment.
- Reliance on revenues from high-cost, usurious loan programs is increasingly unsustainable as more and more states put a stop to these abuses.
- Enforcement actions could lead fintechs to refrain from partnerships with the bank.

These are not the only risks that rent-a-banks face. They face other risks even if they are the true lender, and they face the risks of failing to comply with a number of consumer protection and other laws beyond interest rate limits, as discussed in Sections 5 and 7.

## **7.2. Banks could be liable for significant damages and RICO liability for rent-a-bank schemes, and even criminal liability, if they are not the true lender.**

If the bank is not the true lender, then the loan is likely usurious. The bank then faces risks for facilitating that usurious lending. As the FDIC has noted in the Small Dollar Loan section of its Consumer Compliance Examination Manual:

"Third parties involved in small dollar-lending may also be subject to federal and state laws, including requirements regarding licensure and/or the *pricing* and terms of loans offered through the third party, notwithstanding whether the financial institution is designated as the lender in the transaction. If a third party offering loans as part of a business relationship with an FDIC-supervised institution is found by a court of competent jurisdiction or a federal or state regulatory authority to have engaged in practices that are not compliant with applicable federal or state law, the institution may face risks for facilitating or participating in the third party's unlawful activity."<sup>165</sup>

The FDIC emphasized that "Under Section 3(v) of the [Federal Deposit Insurance] Act, a bank may be found to have violated a law or regulation if it caused, brought about, participated in, or otherwise aided or abetted a third party in violating such a law or regulation."<sup>166</sup>

A bank that facilitates a usurious loan could face serious liability and other consequences, far beyond relinquishing its profits from the scheme.

To the extent that agreements between banks and rent-a-bank lenders attempt to limit the bank's potential liability, they must take into account the full range of that liability. Banks must consider whether indemnification provisions and limits on liability "are in proportion to the amount of the loss the banking organization might experience as a result of third-party failures ..."<sup>167</sup> But, as discussed in Section 2.3 above, any such liability protection poses a Catch-22:

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<sup>165</sup> FDIC, Consumer Compliance Examination Manual (April 2023) at V-17.2; *accord id.* at V-17.4. (emphasis added)

<sup>166</sup> *Id.* at V-17.2, n.3.

<sup>167</sup> Third-Party Relationships, 88 Fed. Reg. at 37933 (banks must consider whether indemnification provisions and limits on liability "are in proportion to the amount of the loss the banking organization might experience as a result of third-party failures ...")

the more the agreement protects the bank from liability, the more likely the bank is not the true lender, and thus the greater potentially liability.

The bank may be directly liable for all of the excess interest collected and more, even if most of the interest in the loans is ultimately passed on to the nonbank entity. The Ninth Circuit recently reaffirmed that restitution “may be measured by the ‘full amount lost by consumers rather than limiting damages to a defendant’s profits.’”<sup>168</sup> On remand from that decision, the district court awarded \$134 million in restitution and \$33 million in penalties against a “rent-a-tribe” scheme.<sup>169</sup> Although the CFPB did not seek damages or restitution from the tribe (analogous to the bank in a rent-a-bank scheme), the Ninth Circuit’s reasoning could make banks liable for significant damages far above their profits. Damages could include double or triple the excess interest and even include repayment of principal, as some states have laws deeming the entire loan to be void if it is usurious.<sup>170</sup>

A bank that facilitates and profits from a usurious lending scheme could also be liable under either the Racketeer Influenced and Corruption Organizations Act (RICO)<sup>171</sup> or state RICO statutes.<sup>172</sup> RICO provides powerful remedies, including treble damages, criminal sanctions, and forfeiture of any property or derived directly or indirectly from the unlawful activity.<sup>173</sup>

As noted above, federal state RICO claims were recently brought against Lead Bank for its rent-a-bank scheme operated by Helix Financial (which now uses Bank of Orrick).

RICO prohibits the use of an “enterprise” to engage in “collection of unlawful debt,” including usurious debt.<sup>174</sup> Any agreement to facilitate such activity is also prohibited, under the separate RICO conspiracy provision.<sup>175</sup>

The United States Supreme Court has established that criminal liability for a RICO conspiracy may attach to one who “knowingly agree[d] to facilitate a scheme which includes the operation or management of a RICO enterprise.”<sup>176</sup> Thus, individuals and companies who promote or service a usury scheme are potentially criminally liable under RICO even if they themselves are not involved in managing or directing the illegal lending enterprise.<sup>177</sup>

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<sup>168</sup> CFPB v. CashCall, 35 F.4th 734, 751 (9th Cir. 2022) (quoting CFPB v. Gordon, 819 F.3d 1179, 1195 (9th Cir. 2016)), on remand, 2023 WL 2009938 (C.D. Cal. Feb. 10, 2023) (awarding \$134 million in restitution, \$33 million in penalties).

<sup>169</sup> CFPB v. CashCall, 2023 WL 2009938 (C.D. Cal. Feb. 10, 2023).

<sup>170</sup> See National Consumer Law Center, Consumer Credit Regulation Appx. B.2 (summary of state usury statutes).

<sup>171</sup> 18 U.S.C. § 1961 et seq.; see National Consumer Law Center, Consumer Credit Regulation § 7.8.6.2.6.

<sup>172</sup> See National Consumer Law Center, Consumer Credit Regulation § 7.8.6.2 (state RICO statutes).

<sup>173</sup> 18 U.S.C. §§ 1963, 1964.

<sup>174</sup> 18 U.S.C. § 1962(c).

<sup>175</sup> 18 U.S.C. § 1962(d).

<sup>176</sup> Salinas v. United States, 522 U.S. 52, 65 (1997) (“A conspirator must intend to further an endeavor which, if completed, would satisfy all of the elements of a substantive criminal offense, but it suffices that he adopt the goal of furthering or facilitating the criminal endeavor.”); see U.S. v. Fernandez, 388 F.3d 1199, 1230 (9th Cir. 2004), modified, 425 F.3d 1248 (9th Cir. 2005) (quoting Smith v. Berg, 247 F.3d 532, 538 (3d Cir. 2001)).

<sup>177</sup> See, e.g., United States v. Zemlyansky, 908 F.3d 1, 12, n.6 (2d Cir. 2018) (“Persons outside the enterprise may be found liable under RICO if they ‘agreed to facilitate a scheme by providing tools, equipment, cover or space,’ so long as the facilitation was knowing because the defendant was aware of the broader scheme.”).

Federal courts, including the Eleventh Circuit, have recognized the applicability of RICO to usurious rent-a-bank schemes.<sup>178</sup> Just last year, a federal district court held that a consumer could assert a RICO claim involving a rent-a-bank loan,<sup>179</sup> and another court recently denied a motion to compel arbitration in a rent-a-bank case asserting RICO among other claims.<sup>180</sup> While these cases are against the non-bank entity, they show the risks banks are taking in engaging in an enterprise with these lenders to collect unlawful debt.

RICO has also been applied in other settings analogous to rent-a-bank lending. Courts have upheld criminal liability for attorneys and others who facilitated usurious rent-a-tribe lending, notwithstanding claims that the defendants had a good faith belief that the loans were lawful, and their conduct was not willful, due to the tribes' involvement.<sup>181</sup> The Fourth Circuit recently upheld class certification of RICO claims against another rent-a-tribe lender.<sup>182</sup>

The litigation risk that RICO violations pose can lead to significant liability. For example, in one rent-a-tribe case where the plaintiffs' alleged RICO violations, the lender agreed to a \$500 million settlement.<sup>183</sup>

### **7.3. The questionable legality of rent-a-bank schemes leads to safety and soundness risks even if the bank is not directly targeted.**

Even if the bank is not directly sued or liable, legal challenges can result in safety and soundness impacts on the bank. A variety of circumstances could jeopardize the viability of the lending program or leave the bank exposed to unexpected default and legal risks. The result could be a significant decrease in planned revenue or a spike in expenses and losses.

The Third-Party Relationships guidance notes banks must engage in more comprehensive and rigorous oversight of higher-risk activities. One characteristic of a critical activity is one that could "[c]ause a banking organization to face significant risk if the third party fails to meet

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<sup>178</sup> See, e.g., *Community State Bank v. Strong*, 651 F.3d 1241 (11th Cir. 2011) (finding federal jurisdiction because plaintiff could "plead facts demonstrating that the Bank was not the actual lender" and thus could be held liable under RICO for aiding or abetting a usury violation); *Dillon v. BMO Harris Bank*, 16 F. Supp. 3d 605 (M.D.N.C. 2014) (denying motion to dismiss RICO claims against banks that enabled payday lenders to collect loans from North Carolina residents that would be illegal under state law and against state-chartered bank for aiding and abetting unlicensed lending in violation of anti-evasion provision of the state lending law).

<sup>179</sup> *Michael v. Opportunity Financial*, No. 1:22-cv-00529-LY, 2022 WL 14049645 (W.D. Tex. Oct. 24, 2022) (magistrate's recommendation finding that plaintiff could assert a RICO claim, notwithstanding the Utah choice-of-law clause in the contract, and thus the arbitration clause did not prohibit plaintiff from asserting a federal statutory claim), *adopted by district court* 2023 WL 3035394 (W.D. Tex. Jan. 11, 2023).

<sup>180</sup> *Carpenter v. Opportunity Financial*, 2023 WL 2960327 (Mar. 29, 2023).

<sup>181</sup> See *United States v. Grote*, 961 F.3d 105, 113 (2d Cir. 2020), cert. denied sub nom. *Tucker v. United States*, 209 L. Ed. 2d 160, 141 S. Ct. 1445 (2021), cert. denied sub nom. *Muir v. United States*, 211 L. Ed. 2d 97, 142 S. Ct. 222 (2021); *United States v. Neff*, 787 Fed.Appx. 81 (3d Cir. 2019) (a conviction for conspiring to collect unlawful debt in violation of RICO does not require willfulness to distinguish innocent from guilty, and thus, Government needs only prove that a defendant knew that the debt collected had the characteristics that brought it within the statutory definition of an unlawful debt); cf. *CFPB v. Cashcall*, 35 F.4th 734 (9th Cir. 2022) (district court erred by determining lender did not act "recklessly," as was required for imposition of tier-two civil penalty under Consumer Financial Protection Act, when its counsel recommended termination of program).

<sup>182</sup> *Williams v. Martorello*, \_\_\_ F.4th \_\_\_, 2023 WL 364903 (4<sup>th</sup> Cir. Jan. 24, 2023). See Ali Sullivan, Law360, Borrowers Can Bring RICO Suit Against Tribe-Linked Lender (Jan. 25, 2023), <https://www.law360.com/articles/1568967/borrowers-can-bring-rico-suit-against-tribe-linked-lender>.

<sup>183</sup> Katryna Perera, Law360, Consumers Reach \$500M Deal With Tribal Lending Cos. (Apr. 27, 2022), <https://www.law360.com/articles/1487910>.

expectations.”<sup>184</sup> As rent-a-banks schemes are challenged, the nonbank could cease to purchase loan interests, causing the lending program may collapse.<sup>185</sup> Legal challenges or other factors may also lead the nonbank partner to be unable to fulfill its obligations to purchase loans or receivables.<sup>186</sup>

The lending programs may also be curtailed significantly as lenders withdraw from states that challenge these schemes. For example, some rent-a-bank lenders have pulled out of California since the state began a more active enforcement posture, and out of Illinois after the state passed a 36% rate cap with rent-a-bank anti-evasion language. When large markets like those disappear, the viability of the lending program becomes more questionable. Banks that have significant business lines dependent on these partnerships are at risk.

#### **7.4. Banks face special risks when they continue rent-a-bank schemes that have been exposed through enforcement actions.**

All of the rent-a-bank schemes discussed in this paper are unlawful and should be ended because the bank is not the true lender. But in particular, several of these schemes have been subject to state enforcement actions that have revealed details confirming their illegality and have resulted in consent decrees forcing the lenders out of the jurisdictions at issue. These consent decrees, detailed above, include DC’s actions against OppFi and Elevate; California’s against LoanMart, as well as its pending litigation against OppFi; and those of Colorado, DC and Massachusetts against EasyPay Finance. Those loan programs are unlawful not only in the states where they have been sued, but in all of the other states where they are evading state rate caps.

The fact that banks (all supervised by the FDIC) have been participants in these unlawful schemes and that their partners have been subject to enforcement actions poses particular risks to the banks that continue these schemes in other states. The FDIC should shut down these partnerships. If it does not, these schemes will continue to fact state enforcements actions and private litigation.

#### **8. Banks that partner with fintechs may be subject to, and could be violating, state laws other than usury laws.**

The right of state-chartered banks to export their home state laws under Section 27 of the Federal Deposit Insurance Act (FDIA) (adopted through the Depository Institutions Deregulation and Monetary Control Act of 1980)<sup>187</sup> applies only to interest rates. It does not preempt other state consumer protection laws.

The only possible basis for preemption of state laws regarding matters other than interest is the Riegle-Neal Act, which gives the branches of out-of-state, state-chartered banks many of the same preemption rights that national banks have. It amended the FDIA to provide: “The laws of a host State, including laws regarding community reinvestment, consumer protection, fair

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<sup>184</sup> Third-Party Relationships, 88 Fed. Reg. at 37927.

<sup>185</sup> See, e.g., CFPB v. CashCall, 35 F.4<sup>th</sup> 734, 739 (9<sup>th</sup> Cir. 2022) (“In September 2013, CashCall discontinued its purchase of Western Sky loans; without CashCall, Western Sky ceased its operations.”).

<sup>186</sup> As discussed above, if banks try to insulate themselves from this risk, it is more likely that the nonbank will be found to be the true lender.

<sup>187</sup> 12 U.S.C. §1831d.

lending, and establishment of intrastate branches, shall apply to any branch in the host State of an out-of-State State bank to the same extent as such State laws apply to a branch in the host State of an out-of-State national bank.”<sup>188</sup>

However, Riegle-Neal preemption only applies to “*any branch* in the host state.” It does not apply if a bank does not have branches in other states, or to activities conducted out of the home state.

The term “branch” is strictly defined in the FDIA to mean a physical location: “any branch bank, branch office, branch agency, additional office, or any branch place of business located in” any state or dependency “at which deposits are received or checks paid or money lent,” and “does not include an automated teller machine or a remote service unit.”<sup>189</sup> Thus the FDIC has stated:

the preemption provided by section [12 U.S.C. § 1831a(j)] only operates with respect to a branch in the host state of an out-of-state, state bank. By its terms section [12 U.S.C. § 1831a(j)(1)] ... would not apply if the out-of-state, state bank does not have a branch in the host state.<sup>190</sup>

Thus, state-chartered banks have no preemption rights beyond the right to export interest rates when they extend credit from their state of charter over the internet to borrowers in a host state.<sup>191</sup>

Many banks that partner with fintechs do not have branch networks, and they primarily conduct their activities through the internet. Even for loans that are arranged through brick-and-mortar retail outlets, the loan itself is taken out on a mobile device or otherwise through a computer, not in a bank branch in the consumer’s state. As a result, these banks are potentially subject to state laws including licensing laws and other laws that are not directly related to interest rate limits.

For example, TAB Bank was sued by a consumer in Wisconsin over its EasyPay Finance loan through a furniture store. Wisconsin does not have interest rate limits. But the consumer alleged numerous violations of state law based on these and several other provisions of the bank’s contract:

- a clause selecting Utah as the choice of law
- a provision declaring that the loan was in default if any payment was not made in 10 days
- a provision giving the bank attorneys’ fees
- a waiver of class action and jury trial.<sup>192</sup>

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<sup>188</sup> 12 U.S.C. § 1831a(j)(1); 12 C.F.R. § 331.3 (effective Aug. 21, 2020).

<sup>189</sup> 12 U.S.C. § 1813(o). Cf. 12 U.S.C. § 3101(3) (“‘branch’ means any office or any place of business of a foreign bank located in any State of the United States at which deposits are received”).

<sup>190</sup> Federal Deposit Ins. Corp., Proposed Rules, Interstate Banking; Federal Interest Rate Authority, 70 Fed. Reg. 60,019, 60,025 (Oct. 14, 2005).

<sup>191</sup> See Lauren Saunders, NCLC, *New Angles in Challenging Rent-a-Bank Schemes* (Feb. 7, 2023), <https://library.nclc.org/article/new-angles-challenging-rent-a-bank-schemes>.

<sup>192</sup> Complaint and Demand for Jury Trial, *Ermilio v. TAB Bank*, removed to federal court as No. 3:21-CV-00652 (W.D. Wisc. Oct. 15, 2021), [https://library.nclc.org/sites/default/files/field\\_media\\_file/2023-02/Ermilio%20v.%20TAB%20complaint.pdf](https://library.nclc.org/sites/default/files/field_media_file/2023-02/Ermilio%20v.%20TAB%20complaint.pdf).

The bank (which was represented by Ballard Spahr) immediately submitted a confession of judgment offering to pay \$2,000, cancel the debt, and pay attorneys' fees.<sup>193</sup>

Similarly, the Maryland Commissioner of Financial Regulation filed a charge letter against the Bank of Missouri in connection with its origination of loans for Fortiva Services LLC, and Atlanticus Services Corp. Maryland alleged that the bank violated Maryland law by, among other things, making installment loans and engaging in collection agency activities without being licensed in Maryland, which made the loans void and unenforceable.<sup>194</sup> The bank and other defendants removed the administrative action to federal court, which granted Maryland's motion to remand and rejected the argument that the action was preempted. The court found that the federal interest in the case does not outweigh the state's "substantial interest in regulating lending within its jurisdiction and in providing a forum for enforcement" of state law and that Maryland's allegations of unlicensed lending "does not implicate Section 27 [of the FDIA]."<sup>195</sup>

The interagency Third-Party Relationships guidance also emphasizes that banks must ensure that the third parties with which they engage have "the necessary legal authority to perform the activity, such as any necessary licenses ...."<sup>196</sup> Even if fintechs claim to be agents of the bank, they may still be subject to licensing.

Banks that engage in rent-a-bank operations or other bank-fintech partnerships across the country may not be paying attention to the many state laws that could apply. This increases the risk to those banks even aside from the risk of violating state usury laws.

## **9. High-cost lending poses high credit risks and default rates that violate requirements for prudent credit underwriting.**

### **9.1. Banks are required to engage in prudent underwriting.**

The Treasury Department recently emphasized that banks "have existing obligations to make certain assessments related to a borrower's ability to repay, including when participating in a bank-fintech relationship."<sup>197</sup> Prudent credit underwriting is an obligation of every bank, regardless of the interest rate it charges or its business model. The FDIC's Standards for Safety and Soundness require institutions to "assess the ability of the borrower to repay the indebtedness in a timely manner" and "establish and maintain prudent credit underwriting practices."<sup>198</sup> Among other elements, the bank's underwriting practices must provide for:

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<sup>193</sup> Rule 68 Offer of Judgment, *Ermilio v. TAB Bank*, No. 3:21-cv-00652 (W.D. Wisc. Oct. 29, 2021).

<sup>194</sup> Charge Letter, *Maryland Comm'r of Fin'l Reg. v. Fortiva Financial, et al.*, Case No. CFR-FY2017-003 (Jan. 21, 2021), <https://library.nclc.org/companion-material/charge-letter-md-commr-finl-reg-v-fortiva-financial-et-al-case-no-cfr-fy2017-003>.

<sup>195</sup> *Salazar v. Fortiva Financial, LLC*, 2022 WL 1267995 (D.D. Md. Apr. 28, 2022).

<sup>196</sup> 88 Fed. Reg. at 37929.

<sup>197</sup> Treasury Non-Bank Competition Report at 141 & n.451 (citing the Interagency Guidelines Establishing Standards for Safety and Soundness adopted under Section 39 of the Federal Deposit Insurance Act, 12 C.F.R. Appendix A to Part 364, Section 2 (C) & (D), <https://www.ecfr.gov/current/title-12/part-364/appendix-appendix%20A%20to%20Part%20364> (Interagency Safety & Soundness Guidelines)).

<sup>198</sup> Interagency Safety & Soundness Guidelines, Appx. A at 4.

“consideration, prior to credit commitment, of the borrower's overall financial condition and resources, the financial responsibility of any guarantor, the nature and value of any underlying collateral, and the borrower's character and willingness to repay as agreed.”<sup>199</sup>

Similarly, the Interagency Guidance for Responsible Small-Dollar Loans includes guidance principles to clarify regulatory expectations for responsible small-dollar loans. These principles include:

- A high percentage of customers successfully repaying their small dollar loans in accordance with original loan terms, which is a key indicator of affordability, eligibility, and appropriate underwriting;
- Repayment terms, pricing, and safeguards that minimize adverse customer outcomes, including cycles of debt due to rollovers or reborrowing; and
- Repayment outcomes and program structures that enhance a borrower’s financial capabilities.<sup>200</sup>

The Small Dollar guidance also emphasizes:

- “Loan products are underwritten based on prudent policies and practices governing the amounts borrowed, frequency of borrowing, and repayment requirements...”
- “Loan underwriting: Analysis that uses internal and/or external data sources, such as deposit account activity, to assess a customer’s creditworthiness and to effectively manage credit risk. Such analysis may facilitate sound underwriting for credit offered to non-mainstream customers or customers temporarily impacted by natural disasters, national emergencies, or economic downturns. Underwriting can also use effectively managed new processes, technologies, and automation to lower the cost of providing responsible small-dollar loans.”

The FDIC’s updated Small-Dollar Lending section of the FDIC Consumer Compliance Examination Manual also emphasizes the “compliance risks associated with small-dollar loan products” including that “performance analysis by the FDIC or by the institution finding high charge-off or default rates, or high rates of refinancing or reborrowing associated with a particular loan program, may suggest an elevated risk of consumer harm.”<sup>201</sup>

Many other guidances on responsible underwriting also emphasize the critical importance of ensuring that borrowers have the capacity to repay their loans on their terms.<sup>202</sup>

The Treasury Department’s recent report on competition by nonbank firms emphasizes that insured depository institutions (IDIs) “have existing obligations to make certain assessments related to a borrower’s ability to repay, including when participating in a bank-fintech relationship,” and “bank-fintech relationships should be supervised for consistency with

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<sup>199</sup> *Id.*

<sup>200</sup> Board of Governors of the Federal Reserve System, FDIC, National Credit Union Administration, Office of the Comptroller of the Currency, Interagency Lending Principles for Offering Responsible Small-Dollar Loans (May 2020), <https://www.fdic.gov/news/press-releases/2020/pr20061a.pdf>.

<sup>201</sup> FDIC, Consumer Compliance Examination Manual (April 2023) at V-17.1.

<sup>202</sup> See NCLC, Federal ability-to-repay requirements for small dollar loans and other forms of non-mortgage lending (Nov. 2021), <https://www.nclc.org/resources/federal-ability-to-repay-requirements-for-small-dollar-loans/>.

principles for responsible and prudent consumer lending.”<sup>203</sup> Regulators should consistently apply the supervisory framework for financial institutions, including small dollar loan guidance: “Treasury recommends that federal banking regulators implement a clear and consistently applied supervisory framework for an IDI’s role in bank-fintech relationships to address competition, consumer protection, and safety and soundness concerns” and “that the agencies increase consistency in supervisory practices related to small-dollar lending programs.”<sup>204</sup>

In particular, the report stated that “high-cost, high-default loan programs that do not sufficiently consider a borrower’s financial capabilities may warrant review for unsafe or unsound practices and violations of law, including consumer protection statutes, and inconsistency with supervisory principles for responsible consumer lending.”<sup>205</sup>

## **9.2. High-cost rent-a-bank lenders do not ensure prudent underwriting.**

Bank lending conducted through a third party must adhere to the bank’s lending policies.<sup>206</sup> The banks involved in rent-a-bank lending do not appear to engage in high-cost predatory lending directly through their own name, website and branches. Yet they are facilitating predatory lending with high default rates that likely deviates from the bank’s policies for its own lending activities.

Most banks exercise self-restraint in the consumer lending space and rarely engage in lending above 36%. In large part, that is because borrowers who cannot qualify for credit at 36% are likely struggling to pay their existing expenses and debts and do not have the ability to repay additional credit.<sup>207</sup>

High-cost rent-a-bank lenders care less about ability to repay. They often target struggling consumers with marketing aimed at those with bad credit. Indeed, as described in Section 7.2 below, high-cost lenders may even prefer borrowers who will make payments for a period of time and then default over those who have the capacity to repay and may repay early.<sup>208</sup>

The Treasury non-bank competition report noted that bank-fintech relationships “can provide an opening for so-called ‘rent-a-charter’ schemes that market themselves as innovative fintech lending platforms, but operate with essentially the same harmful business model as a traditional payday lender.”<sup>209</sup> These “high-cost, high-default businesses often primarily derive profits from consumers who do not have the ability to repay.”<sup>210</sup>

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<sup>203</sup> Treasury Non-Bank Competition Report at 113, 114.

<sup>204</sup> *Id.*, 114-115.

<sup>205</sup> *Id.* at 113-114.

<sup>206</sup> See Third-Party Relationships, 88 Fed. Reg. at 37929; *id.* at 37936 (bank must conduct periodic independent reviews to assess whether the third-party relationship aligns with the bank’s internal policies, procedures and standards).

<sup>207</sup> As discussed above, even rates below 36% can be unaffordable on larger loans.

<sup>208</sup> See NCLC, *Misaligned Incentives: Why High-Rate Installment Lenders Want Borrowers Who Will Default* (July 2016), <https://www.nclc.org/resources/misaligned-incentives-why-high-rate-installment-lenders-want-borrowers-who-will-default/>; Proposed Statement of Decision After Court Trial, *De La Torre v. CashCall*, No. 19CIV01235 (Sup. Ct. Cal. Nov. 17, 2022).

<sup>209</sup> Treasury Non-Bank Competition Report at 113.

<sup>210</sup> *Id.* at 113 n.449.

High interest charges exacerbate the problems from inadequate underwriting. Consumers who would be deemed an inadequate credit risk at 36% or less cannot be expected to have the ability to repay loans with exorbitantly higher interest charges. Payments for much of the loan term go heavily to interest, leading consumers to despair of making progress, and leading many to give up.

As a result, high-cost rent-a-bank lenders tend to have very high default rates. Recent public filings show shockingly high annualized net charge-off rates for several publicly-traded lenders:<sup>211</sup> 56% for Enova,<sup>212</sup> 52% for Elevate,<sup>213</sup> and 58% for OppFi.<sup>214</sup> Of course, defaults are only the tip of the iceberg of consumers who do not have the ability to repay their loans, as automatic payments may trigger overdrafts or take money needed for other expenses.

Banks undoubtedly specify target or maximum default rates in their rent-a-bank programs (and if they do not, that would indicate a failure to monitor a highly critical indicator of risk). But the Third-Party Relationships guidance states that it is important for banks to negotiate with their third parties for “performance measures that do not incentive imprudent performance or behavior, such as ... adverse effects on ... customers.”<sup>215</sup> If rent-a-bank programs have performance measures that permit high default rates, they are incentivizing such behavior.

Prudent underwriting must be judged by assessing not only front-end underwriting processes but also by their results. The default rates common in the lending programs facilitated by rent-a-bank schemes have no place in the banking system and are indicative of banks that are not ensuring prudent underwriting. Default rates at these levels would never be tolerated at other banks, and should not be tolerated at rent-a-banks. These default rates pose risks to the banks, not only credit risk but also litigation risk and the risk of violating laws against unfair, deceptive and abusive practices.

The fact that these banks pass the bulk of the risks of these loans on to third parties does not change their obligation to ensure prudent credit underwriting. Taking the loan losses off their books does not relieve banks of the requirement to lend responsibly.<sup>216</sup>

## **10. Banks engaged in fintech partnerships face significant compliance risk of violating consumer protection and other laws.**

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<sup>211</sup> See Alex Horowitz & Chase Hatchett, Pew Charitable Trusts, Rent-a-Bank Payday Lenders' New Filings Show 55% Average Loss Rates (Jan 9, 2023), <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/01/09/rent-a-bank-payday-lenders-new-filings-show-55-average-loss-rates>; Cross-Complaint [of Calif. Dept. of Fin'l Prot'n & Innov.] For (1) Violation of the California Financing Law, (2) Violation of the California Consumer Financial Protection Law, Opportunity Fin'l v. Hewlett, No. 22STCV08163 (Sup. Ct. Calif. Apr. 8, 2022) (“Although OppFi entices borrowers with promises of building a credit history, it expects that a vast number of its loans will default. In fact, OppFi’s public filings reflect that, in 2021, OppFi had a default rate over 37 percent. OppFi’s business model is premised on the assumption that although a significant number of borrowers will default on their loans, the high interest rates charged will ensure that a profit is generated so long as a minimum number of borrowers scrape together enough money to make payments. Not only are these lending practices predatory, they violate the consumer protection laws that the California legislature enacted to prevent this exact activity.”).

<sup>212</sup> Enova International Inc. Form 10-Q (Oct. 28, 2022) and Form 10-K (Feb. 28, 2022).

<sup>213</sup> Elevate Credit Inc., SEC Form 10-Q (Nov. 9, 2022); Elevate Credit Inc., SEC Form 10-K (Feb. 25, 2022).

<sup>214</sup> Opportunity Financial LLC Form 10-Q (Nov. 9, 2022).

<sup>215</sup> 88 Fed. Reg. at 37932.

<sup>216</sup> Final Joint Guidance on Leveraged Lending, FIL-13-2013 (Mar. 27, 2013), <https://www.fdic.gov/news/financial-institution-letters/2013/fil13013.html>.

### **10.1. Compliance risks are enhanced in high-cost lending programs, especially when a third party handles significant lending activities**

Under longstanding guidance, a banking organization that uses third parties has a responsibility to operate in a safe and sound manner and in compliance with applicable laws and regulations “to the same extent as if the activities were performed by the banking organization in-house.”<sup>217</sup> Yet “the use of third parties can reduce a banking organization’s direct control over activities and may introduce new risks or increase existing risks, such as operation, compliance, and strategic risks.”<sup>218</sup> In particular, rent-a-bank schemes increase compliance risk—the risk arising from violations of laws, rules or regulations.

Banks are more exposed in modern rent-a-bank schemes than in older ones, where whole loans were generally sold, removing the bank from the relationship. Today, the nonbank lender is more likely to claim to be a service provider to the bank, such as the servicer of accounts nominally still held by the bank. Thus, the bank is more directly responsible for the nonbank’s activities throughout the life of the loan.

As noted above, the interagency Third-Party Relationships guidance requires rigorous oversight over critical activities. One type of critical activity is where there are “significant customer impacts.”<sup>219</sup> The extensive complaints against rent-a-bank lenders detailed in this analysis show the significant detrimental impact on consumers. The continuation of these problems make it unlikely that rent-a-banks are sufficiently assessing and addressing the “potential for consumer harm, and handling of customer complaints and inquiries.”<sup>220</sup> Banks must also consider whether third parties have “identified, and articulated a process to mitigate, areas of consumer harm.”<sup>221</sup>

Two aspects of high-cost rent-a-bank schemes exacerbate consumer impacts and compliance risks for banks.

First, high-cost lending, which generally targets subprime borrowers, imposes high costs and other harms on consumers who are already struggling and poses a high risk of violating a panoply of laws, including those regarding unfair, deceptive, abusive or unconscionable practices, fair lending, credit reporting, debt collection, electronic fund transfers, the Military Lending Act, the Servicemembers Civil Relief Act and other laws. As the Treasury non-bank competition report noted: “In addition to exorbitantly priced credit, ‘rent-a-charter’ lenders deploy products using other practices that are both unsafe and unsound for the lender and unfair to consumers.”<sup>222</sup>

Because of these risks, the FDIC’s small-dollar loan examination guidelines appropriately require examiners to review loan pricing and expected rates of default or refinancing, along with other elements of the loan program.<sup>223</sup> The manual requires examiners to consider transaction

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<sup>217</sup> Interagency Guidance on Third-Party Relationships, 88 Fed. Reg. 37920, 37927 (June 9, 2023) (replacing, i.e., Federal Deposit Insurance Corporation, *Guidance for Managing Third-Party Risk*. FIL-44-2008 (June 6, 2008)) ; see also *id.* at 37932.

<sup>218</sup> *Id.*

<sup>219</sup> 88 Fed. Reg. at 37927.

<sup>220</sup> 88 Fed. Reg. at 37929; see *id.* at 37934 (the third party must “provide the banking organization with sufficient, timely, and usable information to analyze customer complaint and inquiry activity and associated trend”).

<sup>221</sup> 88 Fed. Reg. at 37930.

<sup>222</sup> Treasury Non-Bank Competition Report at 113.

<sup>223</sup> FDIC, Consumer Compliance Examination Manual (April 2023) at V-17.3.

testing when warranted, including, among other factors, due to the presence of consumer complaints, high default, charge-off or refinancing rates, marketing claims about “building credit” or “working with customers to help them meet their financial goals,” loan terms that are likely to be unaffordable, and when other risks of unfair, deceptive or abusive practices are elevated.<sup>224</sup> The manual reaffirms longstanding FDIC policy that “Signs of predatory lending include ... loan pricing that reaches beyond the risk that a borrower represents.”<sup>225</sup>

Second, the involvement of a third party that handles significant aspects of the lending operation increases the risk of legal violations more generally. The small dollar examination guidance emphasizes that third-party arrangements can increase an institution’s risks.<sup>226</sup> Banks must ensure that these arrangements with more attenuated parties do not “create or transfer risks to the banking organization or its customers.”<sup>227</sup>

These third-party risks are especially significant in high-cost rent-a-bank schemes, as the nonbank lender typically handles nearly every aspect of the loan program and interaction with the consumer, and does so in the high-risk setting of high-cost, predatory lending to struggling borrowers.<sup>228</sup> The FDIC noted that transaction testing can be warranted when the institution “does not effectively oversee the practices of one or more third parties involved in a small-dollar lending program related to marketing, underwriting, servicing, collection, or other aspects of the program.”<sup>229</sup>

Extensive consumer complaints against the lenders that offer high-cost rent-a-bank schemes provide evidence that these compliance risks are not just theoretical. We have provided examples of these complaints, many of which indicate potential legal violations, in our comments in connection with the Community Reinvestment Act examinations of CC Bank,<sup>230</sup> FinWise Bank,<sup>231</sup> First Electronic Bank,<sup>232</sup> Republic Bank & Trust,<sup>233</sup> and Transportation Alliance Bank.<sup>234</sup>

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<sup>224</sup> *Id.* at V-17.3 to V-17.4.

<sup>225</sup> *Id.* at V.17-.6 (citing FDIC’s Supervisory Policy on Predatory Lending, FIL6-2007 (Jan. 22, 2007)).

<sup>226</sup> *Id.* at V-17.2.

<sup>227</sup> Third-Party Relationships, 88 Fed. Reg. at 37931.

<sup>228</sup> Risks are especially extreme when that third party itself employs other third parties, such as the retail outlets that EasyPay Finance and American First Financial operate through, which are not even supervised by the nonbank lenders.

<sup>229</sup> *Id.* at V-17.4.

<sup>230</sup> See Coalition Comments to FDIC Regarding Community Reinvestment Act examination of Capital Community Bank of Provo, Utah (Mar. 30, 2023), <https://www.nclc.org/fdic-should-downgrade-three-banks-engaged-in-predatory-rent-a-bank-lending/> (CC Bank CRA Examination Comments).

<sup>231</sup> See Coalition Comments to FDIC Regarding Community Reinvestment Act Examination of Rent-a-Bank FinWise Bank (Mar. 14, 2023), <https://www.nclc.org/resources/coalition-comments-to-fdic-rent-a-bank-finwise-bank/> (FinWise Bank CRA Examination Comments)

<sup>232</sup> See Coalition Comments to FDIC Regarding Community Reinvestment Act examination of First Electronic Bank (Mar. 21, 2023), <https://www.nclc.org/fdic-should-downgrade-three-banks-engaged-in-predatory-rent-a-bank-lending/> (First Electronic Bank CRA Examination Comments).

<sup>233</sup> See Coalition Comments to FDIC Regarding Community Reinvestment Act exam of Republic Bank & Trust of Kentucky (Mar. 30, 2023), <https://www.nclc.org/fdic-should-downgrade-three-banks-engaged-in-predatory-rent-a-bank-lending/>. (Republic Bank CRA Examination Comments).

<sup>234</sup> See Coalition Comments to FDIC Regarding Community Reinvestment Act examination of Transportation Alliance Bank (June 30, 2022), <https://www.nclc.org/resources/joint-letter-to-the-fdic-regarding-the-community-reinvestment-act-examination-of-tab/> (TAB Bank CRA Examination Comments).



## 10.2. Laws against unfair, deceptive, abusive or unconscionable practices

### 10.2.1. Banks engaged in fintech partnerships may violate UDAAP or unconscionability laws

The federal laws against unfair, deceptive or abusive practices (UDAAP) of course apply to banks. The CFPB recently issued a Statement of Policy Regarding Prohibition on Abusive Acts or Practices Policy (Abusiveness Policy Statement) emphasizing the various elements of abusive conduct.<sup>235</sup> There are many ways in which the predatory lending that rent-a-banks engage in can be abusive.<sup>236</sup>

State UDAAP laws and laws against unconscionability also generally apply to state-chartered banks. UDAAP laws are not generally preempted by banking laws,<sup>237</sup> and unconscionability is incorporated into the Uniform Commercial Code and is part of the background law with which banks must comply.<sup>238</sup> The OCC has stated that state UDAP laws are not generally preempted as to national banks and federal savings associations. And any preemptive effect of the National Bank Act would not extend to state-chartered banks that do not make their loans or issue their products from branches in the consumer's home state.<sup>239</sup>

High interest rates lead to misaligned incentives between the lender and the borrower, which ultimately expose the bank to the risk that aspects of the loan program could be found unfair, deceptive, abusive, unconscionable or otherwise unlawful.<sup>240</sup> The fact that the lender has the incentive to make loans that do not benefit borrowers creates business pressure to conceal or downplay the dangers of the loans when dealing with borrowers. High-cost lending turns incentives on their head, so that lenders succeed when borrowers fail. With higher rate loans, the consumer injury is higher, but the lender's incentive to make affordable loans and avoid

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<sup>235</sup> CFPB, Policy Statement on Abusive Acts or Practices, 88 Fed. Reg. 21883 (Apr. 3, 2023), [https://files.consumerfinance.gov/f/documents/cfpb\\_policy-statement-of-abusiveness\\_2023-03.pdf](https://files.consumerfinance.gov/f/documents/cfpb_policy-statement-of-abusiveness_2023-03.pdf) (CFPB Abusiveness Policy Statement).

<sup>236</sup> See Comments of NCLC et al. to CFPB re Statement of Policy Regarding Prohibition on Abusive Acts or Practices (July 3, 2023), <https://www.nclc.org/resources/abusive-acts-and-practices-comments-to-cfpb/>.

<sup>237</sup> See Office of the Comptroller of the Currency, Exploring Special Purpose National Bank Charters for Fintech Companies at 5 (Dec. 2016), <https://www.occ.gov/publications-and-resources/publications/banker-education/files/exploring-special-purpose-nat-bank-charters-fintech-companies.html>. (“the OCC has taken the position that state laws aimed at unfair or deceptive treatment of customers apply to national banks.”).

<sup>238</sup> See *Davis v. Chase Bank U.S.A.*, 650 F. Supp. 2d 1073, 1086 (C.D. Cal. 2009) (claims of unconscionability and breach of covenant of good faith and fair dealing not preempted because these are part of general contract law and have only incidental effect on lending practices); NCLC, Mortgage Lending § 5.8.4.2 (3d ed. 2019), updated at [library.nclc.org](http://library.nclc.org).

<sup>239</sup> See Section 5 above. The cases that have found unconscionability laws preempted in particular contexts as to national banks generally have involved state laws governing matters other than the interest rate, which would not be preempted as applied to state-chartered banks without a branch in the consumer's state. See, e.g., *Gutierrez v. Wells Fargo Bank*, 704 F.3d 712 (9th Cir. 2012) (12 C.F.R. § 7.4007(b)(3) regarding banks' deposit-taking powers preempts application of unfairness claim to prohibit bank's use of high-to-low posting order as means of maximizing fees for dishonored checks).

<sup>240</sup> See generally, NCLC, *Misaligned Incentives: Why High-Rate Installment Lenders Want Borrowers Who Will Default* (July 2016), <https://www.nclc.org/resources/misaligned-incentives-why-high-rate-installment-lenders-want-borrowers-who-will-default/>.

unfair, deceptive or abusive practices is lower. High-cost lenders take advantage of vulnerable consumers, which can be an element of unfairness, unconscionability and abusiveness.<sup>241</sup>

## **10.2.2. Predatory lending can be deceptive and take unreasonable advantage of consumers' lack of understanding.**

### **10.2.2.1. In General**

Deception about the cost of a loan, about implied promises that the loan will build credit, or any other deception certainly can be a UDAAP violation. Acts and practices that materially interfere with consumers' ability to understand a term or conduct of a loan or that take unreasonable advantage of consumers' lack of understanding can also be abusive.<sup>242</sup>

For example, our analysis of the complaints against EasyPay Finance, a rent-a-bank lender enabled by Transportation Alliance Bank, have revealed numerous instances of consumers complaining about being misled, both about the interest rate and about the ability to exercise the 90-day full interest rebate.<sup>243</sup> The FDIC appropriately downgraded TAB Bank's CRA rating based on a violation of Section 5 of the Federal Trade Commission Act, Unfair or Deceptive Acts or Practices affecting "a large number of consumers over an extended period of time"<sup>244</sup> most likely through the EasyPay rent-a-bank scheme.<sup>245</sup> But a more severe sanction and termination of the partnership is warranted.

American First Finance, enabled by FinWise Bank, also has a business model nearly identical to that of EasyPay Finance and has provoked numerous complaints about deception and other problems – nearly twice as many as EasyPay.<sup>246</sup> For example, as with EasyPay, consumers frequently complained that agreements executed in stores on tablets and mobile phones prevented them from seeing or understanding critical terms, and that the three-month "no interest" option was deceptive and difficult to exercise.<sup>247</sup>

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<sup>241</sup> See NCLC, Unfair and Deceptive Acts and Practices § 4.3.8 (unfairness), § 4.4.4 (unconscionability); NCLC, Federal Deception Law § 3.2.4 (2d ed. 2016), updated at [www.nclc.org/library](http://www.nclc.org/library); 12 U.S.C. § 5531(a) (abusive conduct).

<sup>242</sup> 12 U.S.C. §5531(d),

<sup>243</sup> TAB Bank CRA Examination Comments at 4-8.

<sup>244</sup> See FDIC, Public Disclosure, Community Reinvestment Act Performance Evaluation, Transportation Alliance Bank, Inc., d/b/a TAB Bank at 11 (Apr. 13, 2022), [https://crapes.fdic.gov/publish/2022/34781\\_220413.PDF](https://crapes.fdic.gov/publish/2022/34781_220413.PDF).

<sup>245</sup> The FDIC downgraded TAB Bank's rating on the heels of several reports and comments highlighting the high level of deception and potential law violations in the EasyPay-TAB Bank relationship. See TAB Bank CRA Examination Comments, *supra*; Stop the Debt Trap, Predatory Puppy Loans by TAB Bank and EasyPay Finance (Feb. 2022), <https://www.nclc.org/resources/predatory-puppy-loans-by-tab-bank-and-easypay-finance/>; Stop the Debt Trap, Predatory Auto Repair Loans by TAB Bank and EasyPay Finance (May 2022), <https://www.nclc.org/resources/predatory-auto-repair-loans-by-tab-bank-and-easypay-finance/>; Stop the Debt Trap, Predatory Lenders TAB Bank and EasyPay Finance Harm Veterans and Military Servicemembers with Loans up to 189% APR (May 2022), <https://www.nclc.org/resources/report-predatory-lenders-tab-bank-easypay-finance-harm-veterans-military-servicemembers/>.

<sup>246</sup> See FinWise Bank CRA Examination Comments at 9-10.

<sup>247</sup> See *id.* at 11-14.

Aside from these rent-a-bank loans through brick-and-mortar stores, online rent-a-bank lenders might also be susceptible to charges of deception or abusiveness. Several consumer complaints about deceptive conduct are described in our CRA comments.<sup>248</sup>

**10.2.2.2. The pricing of high-cost lines of credit is especially deceptive and designed to inhibit consumer understanding.**

The high-cost lines of credit facilitated by Republic Bank & Trust, CC Bank and CBW Bank are especially vulnerable to claims of deception or abusiveness. The pricing using fees rather than periodic interest, lack of a disclosed APR, and indecipherable disclosures of cost and payments obscure the cost of the loans, the length of time to repay, and the high effective interest rates.

For example, with a \$1,000 loan selected, the website for the Elastic line of credit (enabled by Republic Bank) emphasizes the \$100 cost of the “10% cash advance fee,” and below that shows three payments of \$50, \$85 and \$85, showing two additional \$35 “carried balance fees.”<sup>249</sup>

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<sup>248</sup> See CC Bank CRA Examination Comments, *supra*; First Electronic Bank CRA Examination Comments, *supra*; Republic Bank & Trust Examination Comments, *supra*; TAB Bank Examination Comments, *supra*.

<sup>249</sup> <https://www.elastic.com/what-it-costs/> (last visited Oct. 30, 20204).

**Elastic Cash Amount** the amount of money Elastic will send you

Available Credit: \$4,500.00

**\$ 1,000.00**

Cash Advance

**\$100.00**

10% Cash Advance Fee

**\$900.00**

Elastic Cash

**Billing Cycle** (select one)

**Bi-Weekly**    Semi-Monthly    Monthly

Additional AutoPay Amount

Total Number of Payments

\$    

Bi-Weekly Payment Schedule\* View More Payments

Payment	Balance	Cash Advance Fee	Carried Balance Fee	Additional Autopay Amount	Required Payment
<b>\$50.00</b>	\$1,000.00	\$100.00	-	-	\$50.00
<b>\$85.00</b>	\$950.00	-	\$35.00	-	\$85.00
<b>\$85.00</b>	\$900.00	-	\$35.00	-	\$85.00

**We Recommend Paying More than the Required Payment**

If you make only the Required Payment, it can take as long as 10 months to repay your Balance. We encourage you to pay more than the Required amount to reduce the cost of borrowing.

See our [Terms and Conditions](#) for more details.

It is not obvious that there are 20 payments with “carried balance fees” every two weeks (on a biweekly payment schedule) or that the total cost is \$465 – an effective APR of over 100%.<sup>250</sup> Only by clicking on the faint caret to the right of “View More Payments” can the consumer see the full payment schedule if the consumer makes the minimum payment-- the payment amount that most of the financially struggling consumers who take out these loans are likely to make.

Enova’s NetCredit line of credit, facilitated by Republic Bank or TAB Bank, has similarly opaque cost disclosures based on a 10% cash advance fee along with a statement balance fee.

<sup>250</sup> The APR calculation is complicated. It appears that the consumer actually only receives a \$900 loan due to the \$100 cash advance fee. The equivalent of a \$900 installment loan at the same cost with 20 equal biweekly payments would be about 115% APR. Elevate previously disclosed that the effective APR on a \$2,500 draw is 107%. Elevate Credit, Inc., SEC Form 10-Q for the period ending Sept. 20, 2022 at 48, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1651094/000165109422000057/elvt-20220930.htm>.

## Information About Fees & Charges

### Cash Advance Fee:

10% of each Cash Advance, which will be deducted from the amount you request and the remaining Advance Proceeds are delivered to you.

### Statement Balance Fee:

The Statement Balance Fee assessed each Billing Cycle will vary based on your Billing Cycle (determined by your income frequency), your Cash Advance Balance at the end of your Billing Cycle and any Fee Saver reductions earned by making on-time payments. If your Cash Advance balance at the end of your Billing Cycle is \$25 or less, you will not incur a Statement Balance Fee.

See below for further payment examples and [click here to view the Fee Table](#).<sup>251</sup>

Clicking on the fee table yields a pop-up box in fine print that initially shows only part of a lengthy table and has to be clicked further to expand and cannot be printed. The way that box is formulated could also lead to the impression that the cost is only 10% of the cash advance, though the details disclose that the fee is charged each billing cycle.

Similarly, Propel's MoneyKey (through CC Bank)<sup>252</sup> and Propel's Credit Fresh (through CBW Bank and First Electronic Bank)<sup>253</sup> promise a "fully transparent process" but the pricing is completely incomprehensible. For example, Credit Fresh promises "clear repayment terms and no hidden charges."<sup>254</sup> But clicking on that link leads to the following two sample loans which, as with Elastic, display no total cost or APR and only show examples of making three minimum payments, though far more payments would be required to repay the loan.

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<sup>251</sup> NetCredit, *Kentucky Personal Loans & Lines of Credit Rates and Terms*, <https://www.netcredit.com/rates-and-terms/kentucky>.

<sup>252</sup> <https://www.moneykey.com/line-of-credit-loans-online/cc-flow-rates/>

<sup>253</sup> <https://www.creditfresh.com/line-of-credit/cost-of-credit/>.

<sup>254</sup> <https://www.creditfresh.com/>.

## Cost of Credit Example

To demonstrate what is included in each Minimum Payment on a Line of Credit through CreditFresh, let's look at the following examples for monthly and non-monthly income frequencies. We assume in these examples that there is an outstanding principal of \$1,500 for three billing cycles.

Monthly Income Frequency (each Minimum Payment is about 30 days apart):

Billing Cycle Example	Average Daily Principal Balance	Mandatory Principal Contribution (A)	Billing Cycle Charge - Table 1 (B)	Minimum Payment Due (A+B)	Remaining Principal Balance
1	\$1,500.00	\$30.00	\$184.00	\$214.00	\$1,470.00
2	\$1,470.00	\$29.40	\$184.00	\$213.40	\$1,440.60
3	\$1,440.60	\$28.81	\$184.00	\$212.81	\$1,411.79

Non-Monthly Income Frequency (each Minimum Payment is about 14 days apart):

Billing Cycle Example	Average Daily Principal Balance	Mandatory Principal Contribution (A)	Billing Cycle Charge - Table 1 (B)	Minimum Payment Due (A+B)	Remaining Principal Balance
1	\$1,500.00	\$15.00	\$85.00	\$100.00	\$1,485.00
2	\$1,485.00	\$14.85	\$85.00	\$99.85	\$1,470.15
3	\$1,470.15	\$14.70	\$85.00	\$99.70	\$1,455.45

**Disclaimer:** These examples assume a draw is made at the start of a billing cycle, only Minimum Payments are made and no additional draws are requested on the Line of Credit. This example is for illustrative and informational purposes only. The actual Minimum Payment(s) due on your Line of Credit through CreditFresh will depend on your individual account activity.

In the monthly income example, those three payments on a \$1,500 loan cost \$640.21 but reduce the loan by only \$88.21.

These high-cost lines of credit are deceptive and also abusive because they materially interfere with consumers' understanding and take advantage of consumers' lack of understanding of the full cost of the credit and full length of time that it will likely take to repay the loan.

### 10.2.3. Lending without regard to ability to repay can be a UDAAP violation or unconscionable

Making loans without a reasonable expectation that the consumer will be able to repay the loan on its original terms, without reborrowing and while meeting other expenses, may be found to be unfair, deceptive, abusive or unconscionable.<sup>255</sup>

The CFPB's Abusiveness Policy Statement emphasizes that such practices are abusive.<sup>256</sup> The CFPB noted that when Congress passed the Consumer Financial Protection Act, "one of its main concerns was financial products and services that may be 'set up to fail.'... Congress prohibited certain abusive business models and other acts or practices that ... misalign

<sup>255</sup> See NCLC, Unfair and Deceptive Acts and Practices § 6.3; NCLC, Consumer Credit Regulation § 2.4.8.5 (improvident lending as unconscionable), § 2.4.8.6 (terms other than interest rate as unconscionable).

<sup>256</sup> CFPB, Policy Statement on Abusive Acts or Practices, 88 Fed. Reg. 21883 (Apr. 3, 2023), [https://files.consumerfinance.gov/f/documents/cfpb\\_policy-statement-of-abusiveness\\_2023-03.pdf](https://files.consumerfinance.gov/f/documents/cfpb_policy-statement-of-abusiveness_2023-03.pdf).

incentives and generate benefit for a company when people are harmed.”<sup>257</sup>  
For example, lending without regard to ability to repay may be abusive because it takes unreasonable advantage of consumers’ inability to protect their interests.<sup>258</sup>

Such lending may also be unconscionable. A court recently proposed to award \$235 million to a class of CashCall borrowers, finding the loans to be unconscionable, in part because the lender expected a 35% to 40% default rate, set the term at 36 to 42 months even though a 22-month term would result in fewer defaults, and had a business model that enabled the lender to profit even if borrowers could not afford to repay the loans through the full term.<sup>259</sup> As discussed above, the high default rates on high-cost rent-a-bank loans lend support a similar claim of unconscionable lending.

Similarly, marketing aimed at consumers with bad credit or who have been turned down by more responsible lenders can also support a claim of lending without regard to ability to pay. For example, we understand that one rent-a-bank lender has a business model of offering loans to borrowers who have been turned down by other lenders that charge 36% or less. But if the consumer is not considered to be an acceptable risk on loans at that rate, the consumer’s ability to repay the loan with even higher interest charges of 160% APR or more is in serious doubt.

Rent-a-bank lenders tend to portray themselves as better alternatives to traditional payday loans. In reality, rent-a-bank lenders’ longer-term loans still have a business model that can profit despite high borrower defaults. While APRs are lower than the typical 300% to 400% APR for payday loans, the larger loan size and longer term make interest costs far higher, and the loans even less affordable.

Making matters worse, because lenders use automatic electronic repayment and often arrange for payments to be due on or near the borrower’s payday, the lenders are often able to collect even if the borrower cannot afford to make the payment while covering other essential expenses, or if the payment triggers an overdraft (and overdraft fee). Borrowers may manage to make payments for a while, but they often cannot sustain those payments for the life of the loan, or do so at the cost of being unable to pay for other expenses. For these reasons, even high-rate loans with low charge-offs can lead to significant consumer harm and can reflect unfair, deceptive or abusive practices.

For car title lenders (which are expanding into rent-a-bank operations via LoanMart’s scheme with Community Capital Bank), the unfairness, abusiveness and unconscionability of lending without regard to ability to repay is especially harsh. Lenders take title to unencumbered cars borrowers previously owned outright. An astounding one in five auto-title loan borrowers have their cars repossessed.<sup>260</sup> The consequences of losing one’s vehicle are dire – resulting in both the loss of a valuable asset and the serious disruption of a borrower’s ability to get to work, earn

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<sup>257</sup> *Id.* at 9.

<sup>258</sup> *Id.* at 15 & n. 66, 67 (citing cases).

<sup>259</sup> See Final Statement of Decision After Court Trial at 25-26, *De La Torre v. CashCall*, No. 19CIV 01235 (Cal. Sup. Ct. Aug. 21, 2023).

<sup>260</sup> CFPB Single-Payment Vehicle Title Lending at 4 (2016). CRL estimates that approximately 340,000 auto title borrowers annually have their car repossessed, well exceeding the population of St. Louis. For calculation, see CRL, Public Citizen, NCLC et. al comments on CFPB’s proposed repeal of the ability-to-repay provisions of the payday rule at 26, n.90 (May 15, 2019), <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/comment-cfpb-proposed-repeal-payday-rule-may2019.pdf>.

income, and manage their life.<sup>261</sup> More than a third of auto title borrowers have reported pledging the only working car in their household as security for their auto title loan.<sup>262</sup>

Many consumer complaints about the lenders involved in rent-a-bank schemes are about the unaffordability of the loans. We provided some examples of these complaints in our CRA comments for the examinations of CC Bank,<sup>263</sup> FinWise Bank,<sup>264</sup> First Electronic Bank,<sup>265</sup> Republic Bank & Trust<sup>266</sup> and TAB Bank.<sup>267</sup> Other complaints revealing the predatory nature of OppFi loans are provided in an issue brief.<sup>268</sup>

#### **10.2.4. Refinancing and reborrowing practices can violate UDAAP or unconscionability laws.**

Refinancing practices that simply prolong unaffordable loans or increase loan costs may also violate UDAAP or unconscionability laws.<sup>269</sup> Once even small portions of principal are paid down, high-cost lenders typically aggressively push refinances to borrowers to keep them on a high-cost debt treadmill.<sup>270</sup> Refinancing to give the consumer a small amount of additional cash in exchange for prolonging the term can also hide distress and defaults. In this way, high-cost lending is also a mechanism that relentlessly siphons resources from the poorest communities, often communities of color, pushing consumers into longer-term and larger loans that can result in an even deeper debt trap and more consumer harm than short-term payday loans.<sup>271</sup>

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<sup>261</sup> See CFPB Payday Rule, 82 Fed. Reg. at 54573, 93.

<sup>262</sup> *Id.*, n. 592 (internal citations omitted).

<sup>263</sup> See CC Bank CRA Examination Comments at 8-9 (LoanMart), 11-13 (CNG Financial Corp. dba Check 'n Go and Xact), 14-15 (Elevate), 16-18 (OppFi).

<sup>264</sup> See FinWise Bank CRA Examination Comments at 10-14 (American First Finance), 17-19 (Elevate), 21-22 (OppFi).

<sup>265</sup> See First Electronic Bank CRA Examination Comments at 8-9 (OppFi), 13-14, 16 (Personify).

<sup>266</sup> See Republic Bank & Trust CRA Examination Comments at 9-11 (Net Credit), 12-14 (Elevate's Elastic).

<sup>267</sup> See TAB Bank CRA Examination Comments at 3, 5-8 (EasyPay Finance).

<sup>268</sup> See Center for Responsible Lending, Burned Borrowers: A Look at the Experiences of OppFi Customers (April 2023), <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-burned-borrowers-oppfi-7apr2023.pdf>;

<sup>269</sup> NCLC, Consumer Credit Regulation § 2.4.8.6 (terms other than interest rate as unconscionable).

<sup>270</sup> The CFPB found that for online payday installment loans (the channel for most new “fintech” loans), refinance rates were very high. CFPB Supplemental Findings on payday, payday installment, and vehicle title loans (June 2, 2016) at 15 (35% for storefront, 22% for online). See also Elevate Credit, Inc., Form 10K, 2019, at 15 (noting “[a]pproximately 55% of Rise installment customers in good standing had refinanced or taken out a subsequent loan as of December 31, 2019, with 40% of the outstanding Rise installment loan balances on that date consisting of new customer loans and 60% related to returning customer loan.”); Elevate Credit, Inc., Form 10K, 2020, at 8 (noting 70% of Rise installment customers in good standing had refinanced or taken out a subsequent loan as of Dec. 31, 2020). While mainstream lenders also often have substantial rates of refinancings, those lenders also charge rates that permit reasonable amortization of loan balances.

<sup>271</sup> Comments of Center for Responsible Lending, National Consumer Law Center (on behalf of its low income clients) and additional civil rights and consumer organizations, on CFPB Proposed Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans at § 2.5 (pp. 31-34) and § 10.1-10.3 (pp. 165-172) (Oct. 7, 2016), [https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl\\_payday\\_comment\\_oct2016.pdf](https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_payday_comment_oct2016.pdf); see also CFPB Proposed Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans, discussion of longer-term high-cost loans, 81 Fed. Reg. 47864, 47885-92 (July 11, 2016).

Two CFPB actions illustrate the way in which refinancing or reborrowing practices can violate the ban on abusive conduct. In an administrative consent order, the CFPB concluded that ACE Cash Express collectors created and leveraged an artificial sense of urgency to induce delinquent borrowers with a demonstrated inability to repay their existing loans to take out a new ACE loan with accompanying fees.<sup>272</sup> The CFPB found that ACE Cash Express took unreasonable advantage of the consumers' inability to protect their interests and thus engaged in abusive practices.

A federal court agreed with the CFPB that ITT, a for-profit school, engaged in such abusive conduct by taking unreasonable advantage of students by giving the students little choice after enrollment but to take out new high-priced private loans with ITT. ITT's initial loans to those students (with much lower interest rates) had to be repaid before the course was completed even though ITT knew this would be impossible. The students were therefore left with the choice of taking out a new loan from the school or not completing the course, in which case the partial course credits would not be transferable to another school.<sup>273</sup>

### **10.2.5. Unconscionability or abusiveness can act as an outer limit on the price of credit.**

Even if no interest rate cap applies to a bank loan, the high price and payment structure that results in payments going almost entirely to interest could be unconscionable or a UDAAP violation.<sup>274</sup>

For example, after a bench trial, a court awarded \$235 million to a class, finding that CashCall's loans over \$2500 of 96% to 135% were both procedurally and substantively unconscionable, even though at the time California had no interest rate caps on those loans.<sup>275</sup>

High interest rates on installment loans and lines of credit can also be abusive because they take unreasonable advantage of consumers' lack of understanding of how payments make little progress repaying principal and thus of how difficult it will be to repay the loan. The loans offered by rent-a-bank lenders frequently leave consumers shocked and in distress when they realize that hundreds or even thousands of dollars of payments have done almost nothing to reduce the principal. We have detailed many such complaints that the CFPB and complaint websites have received against high-cost lenders including EasyPay Finance,<sup>276</sup> American First

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<sup>272</sup> Consent Order, [In re ACE Cash Express](#), CFPB No. 2014-CFPB-0008 (July 8, 2014), available at [www.nclc.org/unreported](http://www.nclc.org/unreported).

<sup>273</sup> *Consumer Fin. Prot. Bureau v. ITT Educ. Servs., Inc.*, 219 F. Supp. 3d 878 (S.D. Ind. 2015). See also *Illinois v. Alta Colleges*, 2014 WL 4377579 (N.D. Ill. Sept. 4, 2014) (state attorney general action brought under CFPB's standard of abuse can proceed); Complaint, [Consumer Fin. Prot. Bureau v. ITT Educ. Servs., Inc.](#), No. 1:14-cv-00292 (S.D. Ind. Feb. 26, 2014), available at [www.nclc.org/unreported](http://www.nclc.org/unreported).

<sup>274</sup> See NCLC, Consumer Credit Regulation § 2.4.8.4; NCLC, Unfair and Deceptive Acts and Practices § 6.5.

<sup>275</sup> See Proposed Statement of Decision After Court Trial, *De La Torre v. CashCall*, No. 19CIV01235 (Sup. Ct. Cal. Nov. 17, 2022). The judge has not yet issued a final decision.

<sup>276</sup> See [Letter from NCLC et al. to FDIC Acting Chairman Martin Gruenberg re: Community Reinvestment Act examination of Transportation Alliance Bank](#) (June 30, 2022); Stop the Debt Trap, [Predatory Auto Repair Loans By TAB Bank and EasyPay Finance](#) (May 2022); Stop the Debt Trap, [Predatory Puppy Loans by TAB Bank and EasyPay Finance](#) (Feb. 2022).

Finance,<sup>277</sup> Elevate Credit's Rise installment loan,<sup>278</sup> Opportunity Financial,<sup>279</sup> Personify,<sup>280</sup> LoanMart,<sup>281</sup> Check 'no Go's Xact,<sup>282</sup> Elevate's Elastic line of credit,<sup>283</sup> Enova's Net Credit<sup>284</sup> and others. These lenders take unreasonable advantage of consumers' lack of understanding of how they will be trapped in high-cost loans.

#### **10.2.6. Taking unreasonable advantage of consumers' lack of understanding of how state interest rates apply to the true lender can be abusive.**

Rent-a-bank lending is abusive because it takes unreasonable advantage of borrowers' lack of understanding of how state interest rate laws apply to the true lender. For example, a federal court found that the CFPB adequately pled the abusive standard where it alleged that borrowers lacked an understanding of the law applicable to the loans in question and how those laws affected repayment obligations.<sup>285</sup>

Lenders also take unreasonable advantage of borrowers' lack of understanding of how forced arbitration clauses and class action bans prevent them from challenging illegal interest rates and their inability to protect their interests. These clauses prevent consumers from banding together, block them from access to the courts, and make it near impossible to find counsel as the value of an individual case is insufficient to justify hiring a lawyer.

### **10.3. Unlawful Debt Collection Practices**

Due to their imprudent underwriting standards and targeting of struggling borrowers, high-cost loans have high default rates, as described in Section 6.2 above. As a result, these loans lead to significant collection activity.

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<sup>277</sup> See [Letter from NCLC et al. to FDIC Chairman Martin Gruenberg re Community Reinvestment Act examination of FinWise Bank](#) (Mar. 14, 2023) (describing complaints against American First Finance, Elevate's Rise, and Opportunity Financial).

<sup>278</sup> *Id.*

<sup>279</sup> *Id.*

<sup>280</sup> See [Letter from NCLC et al. to FDIC Chairman Martin Gruenberg re Community Reinvestment Act examination of First Electronic Bank](#) (Mar. 21, 2023) (describing complaints against Opportunity Financial and Personify).

<sup>281</sup> See Letter from NCLC et al. to FDIC Chairman Martin Gruenberg re Community Reinvestment Act examination of Capital Community Bank (Mar. 30, 2023) (describing complaints against Wheels Financial dba LoanMart and Choice Cash, CNG Financial's Xact, and others).

<sup>282</sup> *Id.*

<sup>283</sup> Republic Bank CRA Letter, *supra*, at 12-14.

<sup>284</sup> Republic Bank CRA Letter, *supra*, at 9-12.

<sup>285</sup> See *Consumer Fin. Prot. Bureau v. Think Fin., L.L.C.*, 2018 WL 3707911 (D. Mont. Aug. 3, 2018). See also Proposed Stipulated Final Judgment & Order, [Consumer Fin. Prot. Bureau v. NDG Fin. Corp.](#), No. 1:15-cv-05211-CM (S.D.N.Y. Feb. 1, 2019), available at <https://files.consumerfinance.gov>; Complaint, [Consumer Fin. Prot. Bureau v. Golden Valley Lending, Inc.](#), No. 1:17-cv-03155 (N.D. Ill. Apr. 27, 2017), available at <https://files.consumerfinance.gov>; Complaint, [Consumer Fin. Prot. Bureau v. NDG Fin. Corp.](#), No. 1:15-cv-05211-CM (S.D.N.Y. July 31, 2015), available at [www.nclc.org/unreported](http://www.nclc.org/unreported); Consent Order, [Consumer Protection Bureau v. Colfax Capital Corp.](#), CFPB No. 2014-CFPB-0009 (July 29, 2014), available at <https://files.consumerfinance.gov>; Complaint, [Consumer Fin. Prot. Bureau v. CashCall, Inc.](#), No. 1:13-cv-13167-GAO (D. Mass. Mar. 21, 2014), available at [www.nclc.org/unreported](http://www.nclc.org/unreported). Cf. *Consumer Fin. Prot. Bureau v. NDG Fin. Corp.*, 2016 WL 7188792 (S.D.N.Y. Dec. 2, 2016) (finding that practice could be abusive because it materially interferes with consumers' ability to understand; court did not reach question of whether it takes unreasonable advantage of a consumer's ability to understand); *Consumer Fin. Prot. Bureau v. CashCall, Inc.*, 2016 WL 4820635 (C.D. Cal. Aug. 31, 2016) (finding practice deceptive, so not having to reach whether practice was also unfair or abusive).

The FDCPA prohibits a range of false, deceptive, abusive, unfair and threatening conduct. Such conduct also generally constitutes a federal UDAAP violation, and potentially a state one, even if engaged in by first-party creditors that are not subject to the FDCPA.<sup>286</sup> Moreover, some state debt collection laws cover creditors,<sup>287</sup> and debt collection laws are not generally preempted by federal banking regulations.<sup>288</sup> Creditors can also be liable under state agency law for the actions of their collectors and servicers.<sup>289</sup> Nonbank rent-a-bank lenders typically claim to be servicers of banks, and thus agency should be easy to establish. Banks are also at risk if they sell loans to debt buyers that are inaccurate or not owed.<sup>290</sup>

Some third-party non-bank lenders outsource their own debt collection services (despite asserting their role as servicers to attempt to evade state usury limits) to other third parties, distancing the bank even further from its ability to oversee debt collection practices. For example, Elevate outsources its collections and customer service to a third party.<sup>291</sup>

Debt collection is an inherently risky business that frequently crosses the line into unlawful abuse and harassment. Consequently, high-rate lending often leads to violations of the Fair Debt Collection Practices Act or of the prohibition on unfair, deceptive and abusive practices.

Not surprisingly then, many of the complaints about rent-a-bank lenders in the CFPB's complaints database are about debt collection problems that might violate the FDCPA or UDAAP laws. We provided some examples of these debt collection complaints in our CRA comments for the examinations of CC Bank,<sup>292</sup> FinWise Bank,<sup>293</sup> First Electronic Bank,<sup>294</sup> Republic Bank & Trust<sup>295</sup> and TAB Bank.<sup>296</sup>

#### 10.4. Credit Reporting Laws

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<sup>286</sup> See Consumer Fin. Prot. Bureau, CFPB Bulletin 2013-07, [Prohibition of Unfair, Deceptive, or Abusive Acts or Practices in the Collection of Consumer Debts](https://files.consumerfinance.gov) (July 13, 2013), <https://files.consumerfinance.gov>; NCLC, Unfair and Deceptive Acts and Practices § 6.10 (10th Ed. 2021), updated at [library.nclc.org](https://library.nclc.org); NCLC, Fair Debt Collection § 16.3 (10th Ed. 2022), updated at [library.nclc.org](https://library.nclc.org).

<sup>287</sup> See NCLC, Fair Debt Collection § 16.2.3.3.1 (10th Ed. 2022), updated at [library.nclc.org](https://library.nclc.org).

<sup>288</sup> See NCLC, Mortgage Lending § 5.8.4.6 (3d ed. 2019), updated at [library.nclc.org](https://library.nclc.org); NCLC, Fair Debt Collection §§ 11.6.1, 16.1.2 (10th ed. 2022), updated at [library.nclc.org](https://library.nclc.org).

<sup>289</sup> See *generally id.* § 11.4.4.5.

<sup>290</sup> See Press Release, Consumer Fin. Prot. Bureau, 47 States and D.C. Take Action Against JPMorgan Chase for Selling Bad Credit Card Debt and Robo-Signing Court Documents (July 8, 2015), *available at* <http://www.consumerfinance.gov/about-us/newsroom/cfpb-47-states-and-d-c-take-action-against-jpmorgan-chase-for-selling-bad-credit-card-debt-and-robo-signing-court-documents/> (*finding that bank sold accounts that had already been settled by agreement, paid in full, discharged in bankruptcy, identified as fraudulent and not owed by the debtor, subject to an agreed-upon payment plan, no longer owned by the bank, or that were otherwise no longer enforceable; ordering the bank to cease collecting on these debts and to pay \$50 million in consumer refunds, and \$166 million in penalties*).

<sup>291</sup> Elevate Credit, Inc., Form 10-K, 2020, at 36.

<sup>292</sup> See CC Bank CRA Examination Comments at 8-10 (LoanMart), 11-12 (CNG Financial Corp. dba Check 'n Go and Xact), 14 (Elevate), 16-18 (OppFi).

<sup>293</sup> See FinWise Bank CRA Examination Comments at 10-12, 14-15 (American First Finance), 17-19 (Elevate), 21-22 (OppFi).

<sup>294</sup> See First Electronic Bank CRA Examination Comments at 8-11 (OppFi), 13-14, 16 (Personify).

<sup>295</sup> See Republic Bank & Trust CRA Examination Comments at 10.

<sup>296</sup> See TAB Bank CRA Examination Comments at 9-10.

The high default rate of high-cost loans mean that they are often the subject of negative reports to credit reporting agencies. When late or defaulted loans are reported to credit reporting agencies, the obligations of the Fair Credit Reporting Act apply. The FCRA requires that furnishers provide accurate information to credit bureaus, that they correct and update information, and that they respond to consumer disputes. Here again, many complaints about rent-a-bank loans are about credit reporting problems that may reflect FCRA violations. We provided some examples of these debt collection complaints in our CRA comments for the examinations of CC Bank,<sup>297</sup> FinWise Bank,<sup>298</sup> First Electronic Bank,<sup>299</sup> Republic Bank & Trust<sup>300</sup> and TAB Bank.<sup>301</sup> Banks are fully subject to the FCRA and liable for their violations of that Act.

## 10.5. Fair Lending Laws

High-cost lending increases the risk of violating the Equal Credit Opportunity Act. Online rent-a-bank lenders often falsely promote their models, in which borrowers of color are often overrepresented among their target borrowers, as expanding economic inclusion. Yet this is a false notion given high-cost lending's association with financial destruction and lost bank accounts.<sup>302</sup> Storefront high-cost lenders have long targeted borrowers of color and are more likely to locate stores even in more affluent communities of color than in less affluent white communities.<sup>303</sup> Online high-cost lenders may focus more on subprime credit score than geography (although we understand that some lenders use zip codes to target online marketing), but historical discrimination against communities of color is also reflected in credit scores.<sup>304</sup> Payday and auto title loan storefronts can also be used to direct people to online high-cost installment loans.<sup>305</sup>

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<sup>297</sup> See CC Bank CRA Examination Comments at 8-9 (LoanMart), 11-12 (CNG Financial Corp. dba Check 'n Go and Xact), 14-16 (Elevate), 16-17 (OppFi).

<sup>298</sup> See FinWise Bank CRA Examination Comments at 10-12, 16 (American First Finance), 17-18, 20 (Elevate), 21, 23 (OppFi).

<sup>299</sup> See First Electronic Bank CRA Examination Comments at 8-9, 12 (OppFi), 13-14, 17 (Personify).

<sup>300</sup> See Republic Bank & Trust CRA Examination Comments at 10-11 (Enova dba NetCredit).

<sup>301</sup> See TAB Bank CRA Examination Comments at 10-11.

<sup>302</sup> The CFPB found that about half of borrowers with online payday or other high-cost online loans paid a nonsufficient funds (NSF) or overdraft fee. These borrowers paid an average of \$185 in such fees, while 10% paid at least \$432. It further found that 36% of borrowers with a bounced payday payment later had their checking accounts closed involuntarily by the bank. CFPB Online Payday Loan Payments at 3-4, 22 (April 2016).

<sup>303</sup> Li, et al., *Predatory Profiling: The Role of Race and Ethnicity in the Location of Payday Lenders in California*, Center for Responsible Lending (2009), <http://www.responsiblelending.org/payday-lending/research-analysis/predatory-profiling.pdf>; Brandon Coleman and Delvin Davis, *Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law*, Center for Responsible Lending at 7, Chart 2 (March 2016); Delvin Davis and Lisa Stifler, *Power Steering: Payday Lenders Targeting Vulnerable Michigan Communities*, Center for Responsible Lending (Aug. 2018), <https://www.responsiblelending.org/research-publication/power-steering-payday-lenders-targeting-vulnerable-michigan-communities>; Delvin Davis, *Mile High Money: Payday Stores Target Colorado Communities of Color*, Center for Responsible Lending (Aug. 2017; amended Feb. 2018), <https://www.responsiblelending.org/research-publication/mile-high-money-payday-stores-target-colorado-communities-color>.

<sup>304</sup> See Chi Chi Wu, *Past Imperfect: How Credit Scores and Other Analytics "Bake In" and Perpetuate Past Discrimination*, National Consumer Law Center (May 2016), <https://www.nclc.org/resources/past-imperfect-how-credit-scores-and-other-analyticsbake-in-and-perpetuate-past-discrimination/>.

<sup>305</sup> See Lauren Saunders & Lisa Stifler, "Congress Must Overturn OCC's 'Fake Lender' Rule: Payday Lenders Benefit, Consumers Lose" (Apr. 22, 2021), <https://morningconsult.com/opinions/congress-must-overturn-occs-fake-lender-rule-payday-lenders-benefit-consumers-lose/> (describing posters in Check Into Cash stores).

Banks engaged in rent-a-bank schemes likely typically have little direct involvement in the marketing of loans and likely do not oversee it closely to monitor targeting of financially vulnerable consumers and communities of color. The algorithms and big data that “fintech” lenders use may also result in disparate impacts on these communities.<sup>306</sup> It seems unlikely the banks involved in high-cost rent-a-bank lending are engaging in rigorous fair lending testing of complex, proprietary programs employed by the third-party lenders. Consequently, loans at high rates tend to go disproportionately to borrowers of color and may pose fair lending issues related to marketing of the loans and underwriting using “big data.” This risk was highlighted by the FDIC’s recent fair lending enforcement action against Cross River Bank.<sup>307</sup>

## 10.6. Electronic Fund Transfer Act and Other Payment Requirements

Rent-a-bank loans invariably depend on preauthorized electronic payments. Indeed, as noted above, they use the security of access to the borrower’s bank account as a substitute for meaningful underwriting for ability to repay.

The Electronic Fund Transfer Act (EFTA) has rules governing the authorization for those payments. The EFTA also prohibits creditors from requiring borrowers to repay by electronic fund transfer. Related NACHA rules govern ACH payments and require that consumers be given a right to revoke authorization for payments.

Violations of the EFTA are common, even by banks in the business of handling payments.<sup>308</sup> The risks of violations increase when payment authorizations are handled by a predatory lender depending on electronic payments and by lenders that are purchasing consumer names and account information from lead generators.

Indeed, the Consumer Financial Protection Bureau recently fined rent-a-bank lender Enova International \$15 Million for withdrawing funds from consumer accounts without consent, including repeat violations involving unauthorized changes to payment authorizations purchased from lead generators.<sup>309</sup>

## 10.7. E-Sign Act and Statutes Requiring Written Disclosures and Records

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<sup>306</sup> See Testimony of Chi Chi Wu, National Consumer Law Center, Before the U.S. House Committee on Financial Services Task Force on Financial Technology Regarding “Examining the Use of Alternative Data in Underwriting and Credit Scoring to Expand Access to Credit” (July 25, 2019); Carol A. Evans, *Keeping Fintech Fair: Thinking about Fair Lending and UDAP Risks*, Consumer Compliance Outlook (2017), <https://consumercomplianceoutlook.org/2017/second-issue/keeping-fintech-fair-thinking-about-fair-lending-and-udap-risks/>; see also Christopher K. Odet, *Predatory Fintech and the Politics of Banking*, Iowa L. Rev. 1739 (2021), <https://ilr.law.uiowa.edu/print/volume-106-issue-4/predatory-fintech-and-the-politics-of-banking/>.

<sup>307</sup> ABA Banking Journal, Cross River Bank enters consent order with FDIC over fair lending compliance practice (May 19, 2023), <https://bankingjournal.aba.com/2023/05/cross-river-bank-enters-consent-order-with-fdic-over-fair-lending-compliance-practices/>.

<sup>308</sup> See, e.g., FDIC, [Consumer Compliance Supervisory Highlights](#) at 5 (March 2022) (listing EFTA among most frequently cited violations); Scott Sonbuchner, Federal Reserve Bank of Minneapolis, [Error Resolution and Liability Limitations Under Regulations E and Z: Regulatory Requirements, Common Violations, and Sound Practices](#), Consumer Compliance Outlook (2d Issue 2021).

<sup>309</sup> CFPB, Press Release, CFPB Fines Repeat Offender Enova \$15 Million for Violating Order, Deceiving Customers, and Withdrawing Funds Without Consent (Nov. 15, 2023), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-fines-repeat-offender-enova-15-million-for-violating-order-deceiving-customers-and-withdrawing-funds-without-consent/>.

Many federal laws require certain disclosures and records, and require those disclosures and records to be provided to the consumer in writing – that is, on paper. Electronic disclosures and records may substitute for paper ones only if the consumer has agreed in accordance with the procedures of the federal E-Sign Act.

For example, the regulations issued pursuant to the Truth in Lending Act require creditors to make a number of disclosures in writing, such as the amount financed, the finance charge, and the annual percentage rate (APR) before the consumer is asked to sign a loan contract. The EFTA requires a written authorization before a consumer's account may be debited by preauthorized electronic fund transfers.

When the transaction is entered into electronically, the lender must follow the requirements of the E-Sign Act). If a law requires disclosures or records to be provided in writing to a consumer, E-Sign requires the lender first to obtain the consumer's consent to conduct that transaction electronically in a manner that demonstrates that the consumer is actually able to receive and access that information electronically.<sup>310</sup>

E-Sign and similar state laws on electronic transactions known as the Uniform Electronic Transaction Act (UETA)<sup>311</sup> also allow an electronic sound, symbol or process to be considered a valid signature and have the same binding effect as a "wet" signature, if the parties have agreed to conduct business electronically. E-Sign<sup>312</sup> and UETA's<sup>313</sup> definition for an electronic signature both require that the party whose signature is applied electronically must have intended for their electronic mark to be a binding signature, and is attached to or logically connected to the document purported to be signed.<sup>314</sup>

Most, indeed probably all, of the lenders discussed in this paper make their disclosures, obtain authorizations and signatures, and provide records electronically. If the procedures of the E-Sign Act and UETA have not been properly followed, then the disclosures, records and authorizations are not valid, and there is a violation of the underlying laws requiring those disclosures, records and authorizations.

This risk applies to all lenders that use electronic disclosures and records, but the risk of violations is especially acute for those that do so in a physical environment where the consumer is not actually transacting online. For example, EasyPay Finance (Transportation Alliance Bank) and American First Finance (FinWise Bank) offer loans through pet stores, auto repair shops, furniture stores, and other brick and mortar locations. Consumers obtain the loans after the disclosures are supposedly provided to them electronically through tablets or kiosks offered to them at the stores, or on the consumers' smartphone, yet they have not initiated an electronic transaction; they have gone in person to a store.

Similarly, LoanMart offers auto title loans, and relies on physical locations to inspect the vehicle and potentially to obtain the consumer's electronic signature. Some brick-and-mortar payday lenders also serve as the entry point for consumers to take out "online" installment loans that are illegal in the state where the store is located.

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<sup>310</sup> See 15 U.S.C. § 7001(c)(1)(C)(ii).

<sup>311</sup> <https://www.uniformlaws.org/committees/community-home?CommunityKey=2c04b76c-2b7d-4399-977e-d5876ba7e034>

<sup>312</sup> 15 U.S.C. § 7005(6).

<sup>313</sup> Unif. Elec. Transactions Act § 2(8).

<sup>314</sup> See NCLC, Consumer Banking & Payments Law § 11.6 (6th Ed. 2018), updated at library.nclc.org.

In some cases, the consumer may not have electronically signed an agreement or authorization, or even seen electronic disclosures before the transaction was signed, or—in some cases—at all. It may be that a store clerk forged the consumer’s signature – clicking all the “I agree” boxes for the consumer. The clerk may have taken an application on the phone and inputted it into an electronic form. The clerk may also have obscured or scrolled through the required disclosures and allowed the consumer only to see the page on which they are to sign

We provided some examples of potential E-Sign Act and UETA problems in our CRA comments for the examinations of FinWise Bank<sup>315</sup> and TAB Bank.<sup>316</sup> In addition, some of the know-your-customer/identity theft complaints discussed below may reflect electronic signature problems.

### **10.8. The Military Lending Act and Servicemembers Civil Relief Act**

Banks and their third-party partners are subject to the Military Lending Act’s (MLA) 36% rate cap when they lend to servicemembers and their dependents. The possibility that a consumer could be covered by the MLA results in greater compliance risks when loans are routinely far above MLA limits. This risk is especially acute when the bank uses a third party to handle the bulk of the loan program, including the consumer application, screening, and preliminary approval process. The Servicemembers Civil Relief Act also applies to rent-a-bank loans taken out before military service, requiring the lender to reduce the interest rate to 6% during service. Numerous banks and non-bank lenders have faced public and private enforcement actions for violating the MLA or SCRA for their own loan programs. Here again, the use of a third party to handle servicing increases the risk of violations.

We provided some examples of potential MLA or SCRA problems in our CRA comments for the examinations of CC Bank,<sup>317</sup> FinWise Bank,<sup>318</sup> First Electronic Bank,<sup>319</sup> Republic Bank & Trust<sup>320</sup> and TAB Bank.<sup>321</sup>

### **10.9. Laws Governing Privacy and Data Security**

Federal laws and safety and soundness regulations and guidances require that banks hold sensitive information securely.<sup>322</sup> For example, the Gramm-Leach-Bliley Act and its implementing regulations, among other things, prohibit a financial institution from disclosing nonpublic personal information about a consumer to non-affiliated third parties, unless certain conditions are met.<sup>323</sup> Loan applications involve collecting social security numbers, names, addresses, birthdays and a host of sensitive personally identifiable information that could lead to identity theft and fraud if not protected. Yet in rent-a-bank schemes, this information is typically collected and stored by the non-bank partner, not the bank.

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<sup>315</sup> See FinWise Bank CRA Examination Comments at 8, 14, 20 (American First Finance), 23 (OppFi).

<sup>316</sup> See TAB Bank CRA Examination Comments at 11-12.

<sup>317</sup> See CC Bank CRA Examination Comments at 7.

<sup>318</sup> See FinWise Bank CRA Examination Comments at 16 (American First Finance), 20-21 (Elevate), 23 (OppFi).

<sup>319</sup> See First Electronic Bank CRA Examination Comments at 12 (OppFi).

<sup>320</sup> See Republic Bank & Trust CRA Examination Comments at 9-11 (Enova dba NetCredit).

<sup>321</sup> See TAB Bank CRA Examination Comments at 14.

<sup>322</sup> See, e.g., Third-Party Relationships, 88 Fed. Reg. at 37930.

<sup>323</sup> See FDIC, Consumer Compliance Examination Manual at V-17.6.

These nonbank lenders are unlikely to have the same level of data security protections that insured and supervised financial institutions have. Indeed, these nonbank are unlikely to be significantly examined at all, and no one is looking at their data security procedures. Like other companies, some of these nonbanks have undoubtedly suffered data breaches. Yet no one is ensuring that they took appropriate steps in response to such breaches. Data breaches also pose a significant risk of litigation.

These risks fall on the bank. When a third party collects and stores this information on behalf of a bank, the bank is responsible just as if it were performing those activities directly.

### **10.10. Know-Your-Customer Laws**

When banks open an account, including a credit account, they must follow customer identification protocols and know-your-customer (KYC) laws.<sup>324</sup> As the Wells Fargo case fake account scandal and similar cases demonstrate, banks can face enforcement actions as well as private litigation risk if they improperly open accounts in the name of customers whose identity has not been appropriately verified.

The use of third parties to perform this identity verification leads to the risk of KYC violations. This risk is especially acute when the rent-a-bank lender itself relies on additional third parties to obtain the consumer's application.

For example, many consumers complain about identity theft and loans that the consumer did not take out, indicating that there was likely a failure to appropriately verify the applicant's identity. We provided some examples of potential know-your-customer problems in our CRA comments for the examinations of FinWise Bank,<sup>325</sup> First Electronic Bank,<sup>326</sup> Republic Bank & Trust<sup>327</sup> and TAB Bank.<sup>328</sup>

### **10.11. Community Reinvestment Act**

Banks that engage in predatory lending risk a downgrade in their Community Reinvestment Act (CRA) rating. A less than satisfactory CRA rating may affect a bank's ability to participate in mergers and acquisitions or to open new branches. A low CRA rating can lead to more frequent examinations, which increases the risk of findings of legal violations. Additionally, CRA ratings are publicly available, which can impact a financial institution's reputation.

A CRA downgrade is warranted when a bank engages in illegal or discriminatory credit practices. Indeed, the FDIC recently lowered TAB Bank's CRA rating to "needs to improve" – a very low rating that few banks receive – based on a finding that the bank committed unfair or deceptive acts or practices in connection with one of its strategic partners, likely the rent-a-bank

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<sup>324</sup> Section 3261 of the USA PATRIOT Act and regulations thereunder require banks to have a Customer Identification Program ("CIP") to verify the identity of each customer who opens an account. 31 C.F.R. § 1020.220(a)(2). "Account" includes "a credit account, or other extension of credit." 31 C.F.R. § 1020.100(a)(1).

<sup>325</sup> See FinWise Bank CRA Examination Comments at 12, 15-16 (American First Finance), 17, 19-20 (Elevate), 21, 23 (OppFi).

<sup>326</sup> See First Electronic Bank CRA Examination Comments at 1 (Genesis FS Card), 9, 11 (OppFi), 14, 16-17 (Personify).

<sup>327</sup> See Republic Bank & Trust CRA Examination Comments at 10 (Enova dba NetCredit).

<sup>328</sup> See TAB Bank CRA Examination Comments at 11-12.

lender EasyPay Finance.<sup>329</sup> The downgrade was well deserved, as shown by the extensive complaints about the EasyPay Finance loans that TAB Bank facilitates.<sup>330</sup>

Other banks engaged in rent-a-bank lending also have likely committed illegal or discriminatory credit practices. For example, FinWise Bank has a partnership with American First Finance, which has a very similar loan program to EasyPay Finance's, with high-cost loans offered through tablets at pet stores, furniture stores, and other retail locations. American First Finance also has generated the same types of complaints that EasyPay has on Better Business Bureau, CFPB, and other websites.

But problems are not limited to lenders that operate through retail outlets. The predatory online loans that other rent-a-bank lenders have also generated numerous complaints and have a high risk of violating the consumer protection laws outlined above.

Moreover, beyond explicit legal violations, CRA assessments should be based not just on the amount of lending in disadvantaged communities but also on the quality of that lending. Bank engagement in predatory lending is grossly inconsistent with the Community Reinvestment Act. Communities of color have historically been disproportionately left out of the traditional banking system, a disparity that persists today. High-cost lenders also target borrowers with low credit scores – who are disproportionately communities of color. Predatory lending to these communities harms borrowers rather than providing helpful access to affordable credit and sucks resources out of the communities who have long been disadvantaged.

These toxic products inflict financial, emotional, and physical turmoil that can pervade every aspect of a person's and, by extension, community's well-being. Growing research documents the links between high-cost loans and negative health impacts.<sup>331</sup> The interdependence between economic and physical health factors has been laid bare as economically disadvantaged consumers and communities of color (especially Black communities) have experienced far greater economic and human loss during the COVID-19 pandemic.

Consequently, the bank regulators should closely assess the appropriate CRA rating of all of the banks discussed in this paper. All of those banks face a significant risk of a lower CRA rating with attendant consequences.

## **11. Risky rent-a-bank lending must end.**

### **11.1. Bank regulators must end rent-a-bank lending, take action against predatory lending, and hold banks responsible for the violations of their service providers.**

The FDIC and any other regulator of a bank involved in high-cost rent-a-bank schemes must end those partnerships, as they pose untenable risks to the banks involved and to the consumers they prey on, for all of the reasons discussed above. Whether through enforcement actions, supervision or other means, regulators must take action to stop these violations of the law, reckless lending that harms consumers, and serious risks to the banks involved.

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<sup>329</sup> Public Disclosure, Community Reinvestment Act Performance Evaluation, Transportation Alliance Bank, Inc., d/b/a TAB Bank Certificate Number: 34781 at 11 (April 13, 2022), [https://crapes.fdic.gov/publish/2022/34781\\_220413.PDF](https://crapes.fdic.gov/publish/2022/34781_220413.PDF).

<sup>330</sup> See TAB Bank CRA Examination Comments.

<sup>331</sup> See, e.g., Elizabeth Sweet, Univ. of Mass. et al., [Short-term lending: Payday loans as risk factors for anxiety, inflammation and poor health](#), 5 SSM – Population Health 114 (Aug. 2018); Vicky Shaw, The Guardian, [Payday loans are bad for your mental health](#) (Mar. 24, 2018) (reporting on study by Royal Society for Public Health).

In the meantime, regulators should take enforcement actions against rent-a-bank lenders and must crack down on unsafe and abusive predatory lending that fails to comply with prudent underwriting standards. Regulators must be vigilant about spotting and taking enforcement actions against violations of consumer protection laws, which are likely being committed by all of the predatory rent-a-bank schemes highlighted in this paper.

While action against all of the banks and rent-a-bank schemes outlined in this paper is demanded, the immediate need for action is especially clear against Transportation Alliance Bank for the unfair or deceptive practices that led to the downgrade of its Community Reinvestment Act rating; against FinWise Bank, which has a similar unfair and deceptive lending program through American First Finance; and against FinWise Bank, Capital Community Bank, First Electronic Bank and any other bank that is partnered with lenders such as Elevate and Opportunity Financial that have faced state enforcement actions exposing the fact that the bank is not the true lender.

Bank regulators also must make good on the requirement that banks take full responsibility for the conduct of their service providers. Until rent-a-bank schemes can be ended, regulators must hold banks responsible whenever the nonbank lenders in those schemes violate the law.

For example, the Consumer Financial Protection Bureau recently fined Enova International \$15 Million and required Enova to enter into a new consent decree for violating a previous order, for deceiving consumers, and for withdrawing funds from consumer accounts without consent.<sup>332</sup> The order included conduct involving the installment loans that Enova extends “or arranges” in 37 states through its CashNetUSA or NetCredit-branded subsidiaries.<sup>333</sup> In many of those 37 states, Enova operates a rent-a-bank scheme through Republic Bank & Trust or TAB Bank.<sup>334</sup>

Thus, the FDIC must investigate whether any of that conduct involved rent-a-bank loans, which appears likely. If it did, the FDIC must hold the banks responsible for the legal violations “to the same extent as if the activities were performed by the banking organization in-house.”<sup>335</sup> Banks must feel the consequences when they allow predatory lenders to act in their name, otherwise the admonition that banks must strictly oversee their partners’ activities is just a hollow threat.

### **11.2. Bank regulators must directly examine third parties that engage in high-cost, predatory lending, including through transaction testing.**

Until rent-a-bank schemes can be ended, bank regulators must directly examine the non-bank partners and should engage in transaction testing of their loan programs.

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<sup>332</sup> CFPB, Press Release, CFPB Fines Repeat Offender Enova \$15 Million for Violating Order, Deceiving Customers, and Withdrawing Funds Without Consent (Nov. 15, 2023), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-fines-repeat-offender-enova-15-million-for-violating-order-deceiving-customers-and-withdrawing-funds-without-consent/>.

<sup>333</sup> Consent Order, In re Enova Int’l, No. 2023-CFPB-0014 at 9 (CFPB Nov. 15, 2023), [https://files.consumerfinance.gov/f/documents/cfpb\\_enova-international\\_consent-order\\_2019-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_enova-international_consent-order_2019-01.pdf).

<sup>334</sup> See <https://www.nclc.org/resources/high-cost-rent-a-bank-loan-watch-list/>.

<sup>335</sup> Interagency Guidance on Third-Party Relationships, 88 Fed. Reg. 37920, 37927 (June 9, 2023) (replacing, i.e., Federal Deposit Insurance Corporation, *Guidance for Managing Third-Party Risk*. FIL-44-2008 (June 6, 2008)) ; see also *id.* at 37932.

As discussed above, the FDIC recently noted the importance of transaction testing of small dollar loan programs as part of an examination when certain factors are present, as there are in high-cost rent-a-bank schemes.<sup>336</sup>

Direct examination of the third-party partners in rent-a-bank schemes is also well warranted. The Interagency Guidance on Third-Party Relationships states that the scope of supervisory review “depends on the degree of risk and the complexity ....”<sup>337</sup> As explained throughout this paper, the risks of rent-a-bank schemes are high.

The Third-Party Relationships guidance makes clear that when circumstances warrant, a bank regulator “may use its legal authority to examine functions or operations that a third party performs on a banking organization’s behalf.”<sup>338</sup> Such examinations may, *inter alia*, examine the third party’s ability to fulfil its obligation “to comply with applicable laws and regulations, including those designed to protect customers and to provide fair access to financial services.”<sup>339</sup>

Similarly, the Treasury Department notes that banking regulations may “*supervise* IDI activities such as lending, deposit-taking, payments conducted directly ... [T]he activities performed on behalf of the [insured depository institution (IDI)] by a fintech firm or other third-party would be subject to the laws and regulations applicable to the IDI *and subject to supervision and examination by the IDI’s federal regulator.*”<sup>340</sup>

It is not sufficient to examine just the bank in a high-cost rent-a-bank relationship. The bank has a very small role, and examining the bank alone will not give the bank regulator sufficient insight in to the activities of the company that is handling the vast majority of the lending programs and that poses the highest risk of legal violations and other risks. The banks that choose to front for predatory lenders to help them try to evade state laws cannot be counted on to supervise that predatory conduct.

The Treasury Non-Bank Competition Report points out how these non-banks “avoid the type of comprehensive supervision and regulation applicable to IDIs.”<sup>341</sup> Thus, the “activities of these non-bank firms can largely be conducted outside the perimeter of federal prudential regulation and oversight.”<sup>342</sup> Indeed, these non-banks avoid federal supervision altogether, including for consumer protection, as they are not examined by the Consumer Financial Protection Bureau either unless they are engaged in payday lending.

These rent-a-bank schemes attempt to obtain the privileges of depository institutions while avoiding their obligations, “including stringent oversight and examination.”<sup>343</sup> “This difference in regulatory scrutiny can create a type of regulatory arbitrage that benefits lenders that operate

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<sup>336</sup> FDIC, Consumer Compliance Examination Manual at V-17.3 to V-17.4

<sup>337</sup> Third-Party Relationships, 88 Fed. Reg. at 37936.

<sup>338</sup> *Id.*

<sup>339</sup> *Id.*

<sup>340</sup> U.S. Dept. of the Treasury Report to the White House Competition Council, Assessing the Impact of New Entrant Non-bank Firms on Competition in Consumer Finance Markets at 110 (Nov. 2022), <https://home.treasury.gov/system/files/136/Assessing-the-Impact-of-New-Entrant-Nonbank-Firms.pdf> (“Treasury Non-Bank Competition Report”) (emphasis added).

<sup>341</sup> Treasury Non-Bank Competition Report at 8.

<sup>342</sup> *Id.* at 18.

<sup>343</sup> *Id.* at 15.

outside the bank regulatory perimeter.”<sup>344</sup> Rent-a-bank lenders “may seek relationships with IDIs primarily as a means for the non-bank firm to evade state consumer protections and engage in harmful lending practices. Without proper oversight, new entrant non-bank firms might not have the same incentives to engage in responsible lending to creditworthy borrowers that IDIs do by nature of their business model.”<sup>345</sup> Treasury emphasized that “there is ostensibly an alignment of incentives if all aspects of the lending activities are regulated and supervised as if conducted by the IDI. However, there are risks that a non-bank firm may seek to use or ‘rent’ the charter of an IDI that is located in a state with a less restrictive interest rate cap to pursue high-cost lending schemes. Such relationships could be used to facilitate evasion of state protections that results in consumer harm.”

To ensure that rent-a-bank schemes do not violate consumer protection laws, to preserve the integrity of the bank charter, and to prevent unfair competition by companies that get the benefit of a bank charter without its obligations, bank regulators should require the non-bank partners in high-risk rent-a-bank schemes to undergo direct examination.

## 12. Conclusion

Many bank-fintech partnerships pose high risks of evasion or violation of the law, unfair, deceptive or abusive practices, and consumer harm. The bank regulators must not allow banks to engage in these practices. Bank regulators put an end to payday loan rent-a-bank schemes in the early 2000s, and they must now take action to stop predatory lenders from laundering their loans through banks to attempt to evade the law and facilitate destructive lending.

Thank you for the opportunity to submit these comments. With any questions please contact Lauren Saunders, [lsaunders@nclc.org](mailto:lsaunders@nclc.org).

Yours truly,

Center for Responsible Lending

National Consumer Law Center (on behalf of its low-income clients)

Student Borrower Protection Center

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<sup>344</sup> *Id.* at 105.

<sup>345</sup> *Id.* at 80