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Durbin introduces bill to crack down on predatory lending practices

September 20 2017 1:04 PM

WASHINGTON – U.S. Senators Dick Durbin (D-IL) and Jeff Merkley (D-OR) were joined by U.S. Representatives Matt Cartwright (D-PA-17) and Steve Cohen (D-TN-09) in introducing the bicameral *Protecting Consumers from Unreasonable Credit Rates Act*

, legislation that would eliminate the excessive rates and fees that many consumers are charged for payday loans, car title loans, and other types of credit.

Cash-strapped consumers nationwide pay, on average, annual interest rates of 400 percent for payday loans. These excessive interest rates create a vicious debt trap that drains consumer bank accounts and can cause serious and long-term financial harm.

This bill would establish a 36 percent annual interest rate cap for all consumer credit transactions, helping consumers dedicate more of their resources to buying American goods and services instead of padding the pockets of predatory lenders. The 36 percent cap is similar to usury laws already enacted in many states and is the same as the cap already in place for military personnel and their families.

"Despite the economic gains we have made as a nation in recent years, many working families continue to struggle. For some, payday lenders offer a quick way to make ends meet, but their outrageous interest rates and hidden fees can have crippling effects on the people who can least afford it," said Sen. Durbin. "Capping interest rates and fees for consumers will help protect working families from these predatory lending practices—it's the right thing to do."

"Predatory loans with outrageous interest rates suck working families into an inescapable vortex of debt," said Sen. Merkley. "This bill's simple, straightforward approach will protect consumers and ensure that families aren't bankrupted by high interest rates and hidden fees."

"Predatory lending disproportionately harms people who are already struggling financially. We need safeguards in place to protect working families," said Rep. Cartwright. "This consumer-friendly legislation would provide relief from exorbitant fees for many low-income consumers across the country."

"Throughout my career, I have always worked to shield people from those who would take advantage of them through predatory lending practices that can wreak havoc on people's lives and perpetuate a cycle of indebtedness. Both justice and morality dictate that reasonable caps on interest be enacted to protect borrowers from devious lenders," said Rep. Cohen.

Efforts to address the exorbitant interest rates charged on many payday loans have often failed because of the difficulty in defining predatory lending. By setting a relatively high interest rate as the cap and applying that cap to all credit transactions, the *Protecting Consumers from Unreasonable Credit Rates Act* overcomes the problem and puts all consumer transactions on the same, sustainable, path. In doing so, consumers are protected, predatory lending practices are ended, and consumers will be helped in using credit more wisely.

Specifically, the *Protecting Consumers from Unreasonable Credit Rates Act* would:

- Establish a maximum APR equal to 36 percent and apply this cap to all open-end and closed-end consumer credit transactions, including mortgages, car loans, overdraft loans, car title loans, and payday loans.

- Encourage the creation of responsible alternatives to small dollar lending, by allowing initial application fees and for ongoing lender costs such as insufficient funds fees and late fees.
- Ensure that this federal law does not preempt stricter state laws.
- Create specific penalties for violations of the new cap and supports enforcement in civil courts and by State Attorneys General.