Durbin Introduces Bill to Crack Down on Predatory Lending Practices

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WASHINGTON – U.S. Senate Democratic Whip Dick Durbin (D-IL) today introduced the *Protecting Consumers from Unreasonable Credit Rates Act of 2019*, legislation that would eliminate the excessive rates and steep fees charged to consumers for payday loans by capping interest rates on consumer loans at an Annual Percentage Rate (APR) of 36 percent—the same limit currently in place for loans marketed to military service-members and their families. The bill is cosponsored by U.S. Senators Jeff Merkley (D-OR), Sheldon Whitehouse (D-RI), and Richard Blumenthal (D-CT).

Nearly 12 million Americans use payday loans each year, incurring more than $8 billion in fees. While some loans can provide a needed resource to families facing unexpected expenses, with interest rates exceeding 300 percent, payday loans often leave consumers with the difficult decision of having to choose between defaulting and repeated borrowing. As a result, 80 percent of all fees collected by the payday loan industry are generated from borrowers that take out more than 10 payday loans per year, and the vast majority of payday loans are renewed so many times that borrowers end up paying more in fees than the amount they originally borrowed. At a time when 40 percent of U.S. adults report struggling to meet basic needs like food, housing, and healthcare, the payday lending business model is exacerbating the financial hardships already facing millions of American families.

"For some Americans, 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. Despite this, President Trump and his Administration have opted to roll back the progress we have made on reforming predatory lending by quietly dismantling the rules that regulate these lenders. No matter how you cut it, this hurts Americans," said Durbin. **"We need to take action -- now more than ever -- to protect working families from predatory lending practices by capping interest rates and fees."**

Efforts to address the exorbitant interest rates charged on many payday loans have often failed because of the difficulty in defining predatory lending. By establishing a 36 percent interest rate as the cap and applying that cap to all credit transactions, the *Protecting Consumers from Unreasonable Credit Rates Act* overcomes that problem and puts all consumer transactions on the same, sustainable,path. In doing so, consumers are protected, exorbitant interest rates for small-dollar loans will be curtailed, and consumers will be able to use 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.

The legislationis endorsed by Americans for Financial Reform, NAACP, Woodstock Institute, Center for Responsible Lending (CRL), Public Citizen, AFSCME, Leadership Conference on Civil and Human Rights, National Consumer Law Center (on behalf of its low-income clients), National Community Reinvestment Coalition, AIDS Foundation of Chicago, Allied Progress, Communications Workers of America (CWA), Consumer Action, Consumer Federation of America, Consumers Union, Arkansans Against Abusive Payday Lending, Billings First Congregational Church—UCC, Casa of Oregon, Empire Justice Center, Georgia Watch Heartland Alliance for Human Needs & Human Rights, Hel's Kitchen Catering, Holston Habitat for Humanity Illinois, Asset Building Group, Illinois People's Action, Indiana Institute for Working Families, Kentucky Equal Justice Center, Knoxville-Oak Ridge Area Central Labor Councils, Montana Organizing Project, National Association of Consumer Advocates, National CAPACD, New Jersey Citizen Action, People's Action, PICO National Network, Prosperity Indiana, Strong Economy for All Coalition Student Action Tennessee Citizen Action, UnidosUS (formerly NCLR), and Virginia Organizing VOICE—Oklahoma City.