



# **Durbin, Senators Introduce Bill To Protect Consumers From Shady, High Cost Lending**

July 14 2021 3:50 PM









WASHINGTON, D.C. – U.S. Senate Majority Whip Dick Durbin (D-IL), U.S. Senators Jeff Merkley (D-OR), Richard Blumenthal (D-CT), and Sheldon Whitehouse (D-RI) today introduced legislation that would cap fees and interest 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. Studies show that while lenders today offer easy credit, these transactions often come with high interest rates, steep late fees, and other hidden charges. This predatory business model exploits hard-working Americans, trapping them in long-term debt cycles that drain bank accounts and cause serious, long-term financial harm.

“It is time for federal legislation that cracks down on predatory lending and closes loopholes used to exploit hard-working Americans. The *Protecting Consumers from Unreasonable Credit Rates Act* would eliminate high-cost payday loans and other costly forms of credit that trap vulnerable consumers in endless debt cycles. Too many Americans suffer long-term financial harm from these predatory loans and deceptive tactics, and we must put an end to it,” Durbin said.

“Back in 2007, we kicked payday lenders—who prey on families when they’re at some of the most vulnerable times in their lives—out of Oregon,” said Merkley. “Americans in every corner of this country deserve the same protections from these lenders’ predatory practices. Let’s make this the year that Congress passes the Protecting Consumers from Unreasonable Credit Rates Act, so we can stand up to these lenders and help ensure that Americans seeking to recover from the economic impacts of the coronavirus crisis are not lured into a vortex of debt.”

“Payday lenders make their money through ultra-high interest rates and fees paid by the people who can least afford it,” said Whitehouse. “This bill would impose sensible

limits to help end the inescapable cycle of debt too many Americans currently face. In the long run, we need to restore states' rights to set usury limits and protect home state consumers from lending abuse.”

In 2006, Congress enacted a federal 36 percent annualized usury cap for certain credit products marketed to service members and their families, which curbed payday, car title, and tax refund lending around military bases. Eighteen states, including Illinois, and the District of Columbia have enacted usury laws that protect borrowers from high-cost payday loans and other costly forms of credit.

Various federal and state loopholes allow unscrupulous lenders to charge cash-strapped consumers 400 percent APR for payday loans on average, 300 percent APR for car title loans, and up to 17,000 percent APR for bank overdraft loans.

To protect consumers from predatory lending practices, 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 payday loans, car title loans, overdraft loans, credit cards, car loans, mortgages, and refund anticipation loans;
- Encourage the creation of responsible alternatives to small dollar lending by providing tolerances for initial application fees and ongoing lender costs;
- Ensure that this federal law does not preempt stricter state laws; and
- Create specific penalties for violations of the new cap and support enforcement in civil courts and by State Attorneys General.

The legislation is endorsed by Americans for Financial Reform, Center for Responsible Lending (CRL), Consumer Federation of America, National Consumer Law Center (on behalf of its low income clients), Woodstock Institute, AARP IL, AgeGuide Northeastern Illinois, Brighton Park Neighborhood Council, Capital Good Fund, Chicago Jobs Council, Chicago Urban League, Citizen Action Illinois, Great Lakes Credit Union, Heartland Alliance, Housing Action Illinois, Illinois Asset Building Group, Illinois Chapter of the National Association of Consumer Advocates, Jane Addams Resource Corporation, Legal Action Chicago, Metropolitan Family Services, New America Chicago, Northwest Side Housing Center, Revolution Workshop, Rockford Area Habitat for Humanity, and Shriver Center on Poverty Law.