



# Consumer Federation of America

**FOR IMMEDIATE RELEASE**  
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## **NEW LEGISLATION FOCUSES ON ONLINE AND BANK-BASED PAYDAY LOANS, SEEKS TO CLOSE LOOPHOLES AND PROTECT CONSUMERS' BANK ACCOUNTS**

**Senators Merkley, Blumenthal, Durbin and Udall Move to Protect Consumers from  
High-Cost Credit that Evades State Law**

Washington, D.C. – The Consumer Federation of America applauds Senator Jeff Merkley (OR), Richard Blumenthal (CT), Dick Durbin (IL) and Tom Udall (NM) for the introduction of the Stopping Abuse and Fraud in Electronic (SAFE) Lending Act. The bill is a necessary response to online lenders affiliated with Native American Tribes and banks offering payday loans that have designed abusive products that evade state consumer protections.

As state legislatures across the country continue to crack down on abusive practices, such as triple digit interest rates and unfair payment and debt collection practices, the SAFE Lending Act will ensure that consumers get the same protections regardless of whether they take out a loan from a storefront payday lender or a lender operating online.

“Lenders partnering with Native American Tribes and banks offering payday-like deposit advance loans are evading existing consumer protections and putting consumer’s bank accounts at risk,” said Tom Feltner, director of financial services at the Consumer Federation of America. “Consumers should be able to make credit choices with the confidence that all lenders are playing by the same set of rules.”

Currently, online lenders that partner with Native American Tribes are claiming immunity from enforcement of state laws that cap interest rates and provide other borrower protections. Banks that offer deposit advance loans at high rates with short repayment terms are currently not subject to state consumer protections.

### **The SAFE Lending Act would ensure that all lenders are playing by the same rules by:**

- Requiring all online small-dollar lenders (such as payday lenders) to comply with state law if it provides better consumer protections than federal law;
- Preventing banks from making payday loans in violation of the state law where the consumer resides;
- Providing new federal enforcement measures to protect consumers from online payday lenders that seek to evade state consumer protection laws, such as by locating their businesses off-shore, or affiliating with a Native American Tribe and claiming the right to assert the tribe’s sovereign immunity; and

- Empowering Native American Tribes to enlist the help of the CFPB where needed to protect their members from abusive payday lending on the reservation, and respecting tribal laws that provide stronger consumer protections than are available under state law.

**The SAFE Lending Act would also protect consumers' bank accounts by:**

- Closing the single payment loophole in the Electronic Fund Transfer Act and ensure that consumers have control over how lenders access their bank accounts for payment and collections of high-cost loans;
- Safeguarding consumers' personal information by banning "lead generators" who collect information like Social Security numbers, income and bank account information; and
- Prohibiting lenders from using a borrower's bank account numbers to create unsigned checks used to withdraw funds, even when consumers have opted out of making payments electronically.

"Electronic payments should be a convenience for the consumer, not a collection method for the lender," said Feltner. "This proposal would make sure that unfettered access to a consumer's bank account is not a substitute for fully underwriting a loan."

*The Consumer Federation of America is a non-profit association of more than 250 consumer groups that was established in 1968 to advance the consumer interest through research, advocacy, and education.*