



Consumer Federation of America



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Federal Regulators Urged to Crack Down on Illegal Payday Loans

Advocates: Rein in banks and payment processors that enable illegal financial activities

(WASHINGTON, D.C.) Federal regulators need to stop banks and payment processors from helping internet and tribal payday lenders collect illegal payments, consumer and civil rights groups urged today. In a [letter](#) sent to federal bank regulators, the U.S. Department of Justice, and the Federal Trade Commission, the National Consumer Law Center, Consumer Federation of America, the Center for Responsible Lending, and 26 other consumer and civil rights groups thanked the agencies for their efforts to date and pushed for stronger measures to stop illegal payments from being taken out of consumers' bank accounts.

Though the letter focused on internet payday loans, the groups also noted that heightened scrutiny is also important to stopping internet fraud, abusive debt settlement fees, and other practices illegal under federal and state law. "Banks have an obligation to avoid processing payments for illegal activities, whether the activity is an illegal payday loan, gambling operation, internet fraud or debt settlement scheme," said Tom Feltner, director of financial services at Consumer Federation of America.

"Online payday loans are illegal if they do not comply with state laws," said Lauren Saunders, managing attorney at the National Consumer Law Center. Supporters of the online payday industry have criticized scrutiny of payments to lenders who claim that affiliation with a Native American tribe exempts them from state law. But "tribal immunity does not make an illegal loan legal; it just affects whether the lender can be sued," Saunders explained. "Banks and payment processors, which have no such immunity, must take swift action to address the legal and reputational risks associated with facilitating these illegal transactions."

The groups' letter emphasizes that scrutiny of banks and payment processors that enable illegal payments is an important and traditional role of federal banking and consumer protection agencies.

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Since 1969, the nonprofit **National Consumer Law Center® (NCLC®)** has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org

The Consumer Federation of America (CFA) is a nonprofit association of nearly 300 consumer groups that, since 1968, has sought to advance the consumer interest through research, advocacy, and education. www.consumerfed.org

The Center for Responsible Lending is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions. www.responsiblelending.org