



## Consumer Federation of America

For Immediate Release  
July 21, 2014

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### CONSUMER GROUPS APPLAUD REPS. CARTWRIGHT AND COHEN FOR INTRODUCING LEGISLATION TO END PAYDAY LOAN DEBT TRAP

Washington D.C.—In an effort to end the cycle of back-to-back, high-cost loans that traps countless consumers in long-term debt, U.S. [Rep. Matt Cartwright](#) and U.S. [Rep. Steve Cohen](#) introduced the *Protecting Consumers from Unreasonable Credit Rates Act of 2014*. [Supported](#) by more than 30 consumer, community and civil rights organizations, the bill caps interest rates for consumer credit transactions at 36 percent.

“A safe and sustainable loan is one that consumers can repay in full and on time without additional borrowing,” said Tom Feltner, Director of Financial Services at Consumer Federation of America. “Capping rates at 36 percent will protect consumers from the abusive practices common in payday loans, auto title loans and other high-cost credit products that often top 400 percent APR.”

In addition to establishing a 36 percent interest cap, the bill:

- **Allows States to Keep Existing Rate Caps or Set a Lower Rate:** The 36 percent rate cap sets a maximum permissible rate but does not restrict states that presently have or wish to set lower interest rate caps.
- **Incentivizes New Consumer Friendly Products:** The bill will encourage the creation of responsible alternatives to short-term lending by allowing some initial application fees.

Last year, Senate Assistant Majority Leader Dick Durbin and Senators Jeff Merkley, Richard Blumenthal, Sheldon Whitehouse, and Barbara Boxer introduced similar legislation in the Senate.

“High interest rates, no consideration of an ability to repay and direct access to a borrowers’ bank account sets in motion a cycle of debt that is difficult to escape.” Feltner said. “By capping interest rates, we can ensure affordable payments, better underwriting and fair repayment terms and take a big step forward toward ending the payday loan debt trap.”

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