

Chairman Sherrod Brown  
Committee on Banking, Housing, and Urban Affairs  
503 Hart Senate Office Building  
Washington, DC 20510

Ranking Member Patrick Toomey  
Committee on Banking, Housing, and Urban Affairs  
455 Dirksen Senate Office Building  
Washington, DC 20510

July 29, 2021

Re: Support for Veterans and Consumers Fair Credit Act

Dear Chairman Brown and Ranking Member Toomey,

The undersigned 188 civil rights, community, consumer, faith, housing, labor, legal services, senior rights, small business, veterans organizations, and academics representing all 50 states and the District of Columbia write in strong support of the Veterans and Consumers Fair Credit Act, which would extend the Military Lending Act's 36% interest rate cap on consumer loans to all Americans, including veterans, Gold Star Families, and unactivated reservists. We write to express our support for the legislation and to urge its swift passage in the 117th Congress to protect all consumers from predatory lending.

The Veterans and Consumers Fair Credit Act addresses the problems caused by unaffordable, predatory payday, auto-title, and similar forms of loans by:

- **Reestablishing a simple, common sense limit on predatory lending** by extending the Department of Defense's 36% interest rate cap to all Americans. This would reestablish usury laws effective in virtually every state throughout most of the twentieth century.
- **Preventing hidden fees and loopholes.** The 36% rate cap is based on the Pentagon's successful rules that include not just periodic interest but fees and add-ons. Loopholes in the Truth in Lending Act's annual percentage rate have undermined cost transparency and emboldened evasions.
- **Maintaining low industry compliance costs from compromise rules already in effect.** Compliance costs for industry will be low because creditors *already* know how to comply for active-duty military and their families.
- **Upholding stronger state protections.** 36% is a relatively high rate and is appropriate only as an upper limit. States like Arkansas, Colorado, North Carolina, New Jersey, New York, and West Virginia already have strong interest rate caps lower than 36%, which will not be impacted because the bill does not preempt any provision of State law that provides greater protections to consumers. For larger loans, in particular, rates lower than 36% are appropriate.

**Rate caps have long protected consumers from the harms of predatory lending.** All major world religions oppose predatory lending, and rate caps actually originated in the Code of Hammurabi. In the United States, states have had the power to set rate caps since the American Revolution, and all thirteen original states had traditional usury limits capping interest rates.

**High-cost predatory loans trap families in cycles of debt.** These loans are marketed as a fix to meet immediate or emergency needs. But the vast majority of payday loan borrowers are unable to repay these triple-digit interest rate loans under the original terms, forcing them to refinance these loans repeatedly. Even in normal times, more than 80% of payday loans go toward covering prior payday loans. High-cost installment loans can be an even bigger and deeper unaffordable debt trap, stretching out for years and often leading to abusive refinancing. With high-cost longer term loans, borrower payments go heavily to interest, not repayment, allowing lenders to profit even if borrowers eventually default or if the loans lead to overdraft fees or inability to pay other expenses. During the COVID-19 pandemic and economic crisis, lenders marketed themselves as “here to help” and offered to waive fees on new loans. But as a rule, their business model is to make matters worse, not provide affordable access to credit. Currently, 45 states plus DC cap the interest rates on longer term loans, but many laws have loopholes. Eighteen states and DC have interest rate caps that prevent short-term payday loans, but residents of the remaining 32 states are at the mercy of these predatory lenders.

**Predatory lenders target vulnerable consumers,** including [veterans](#), [senior citizens](#), low-income consumers, [rural consumers](#), and [communities of color](#). These consumers have historically been excluded from mainstream financial services, and predatory lenders see that as an opportunity to target these communities. Several research studies have shown that payday lenders target communities of color, even when accounting for income. For example, Black consumers are about twice as likely as white consumers to live within a mile of a payday lender. One study found that 45% of veterans in Texas had taken out a payday or auto title loan, in comparison to just 7% of adult Texans overall in the same year. Predatory, high-cost lending will not make up for past discrimination or help achieve financial inclusion; instead, it exacerbates existing inequities by leaving vulnerable consumers with greater access to predatory lending and pushing responsible products further out of reach.

**Rate caps work and work well.** The Military Lending Act protects active-duty service members and their families and currently caps interest rates on consumer loans. In 2004, before it took effect, 1577 servicemembers sought help from the Navy-Marine Corps Relief Society for paying off predatory loans; by 2010 that number had [dropped](#) to 10. Currently, only 18 states plus DC have interest rate caps that prevent short-term payday loans, which leaves the remaining 32 states at the mercy of predatory lenders.

**Veterans deserve better.** While the Military Lending Act (MLA) currently caps interest rates on loans to active-duty service members and their families, Gold Star Families, veterans, and unactivated reservists are not protected. These members of the military community are especially susceptible to the financial and mental health problems associated with predatory payday loans. Predatory lenders target veterans and their families, using specialized marketing to appeal to

members of the military. The protections that applied to veterans when they were active duty no longer apply, leaving them particularly exposed to financial exploitation.

**Usury limits have overwhelming bi-partisan, public support.** Amid the COVID-19 crisis, Americans have expressed strong support for consumer protection measures, including limitations on interest rates. A [poll conducted](#) in 2020 found 81% of voters in support of prohibiting high-interest loans across parties and regions, and 69% in support of a 36% rate cap. (Other research has demonstrated that many Americans would like to see an even lower limit on rates.) Further, every ballot measure held on the subject in recent years has passed with broad support, including most recently, in Nebraska with 83% of the vote, joining states like Colorado, South Dakota, Arizona, and Montana.

**Covers all lenders, including banks, preventing evasions.** The vast majority of banks already keep their interest rates below 36%. However, since banks are almost entirely exempt from state rate caps, predatory lenders are starting to launder their loans through a few rogue banks so they can charge high rates in states where their loans are illegal. Congress needs to enact a national 36% rate cap on all lenders to protect consumers across the country.

Thank you for your leadership and we look forward to working with you to pass the Veterans and Consumers Fair Credit Act.

Yours very truly,

Accountable.US  
Americans for Financial Reform  
Association for Financial Counseling and Planning Education (AFCPE)  
CAARMA  
Capital Good Fund  
Center for Economic Justice  
Center for LGBTQ Economic Advancement & Research (CLEAR)  
Center for Responsible Lending  
Consumer Action  
Consumer Federation of America  
Consumer Reports  
Consumers for Auto Reliability and Safety  
Credit Builders Alliance  
Demos  
Faith in Action National Network  
Heartland Alliance  
Jesuit Social Research Institute  
The Leadership Conference on Civil and Human Rights  
Local Initiatives Support Corporation (LISC)  
Main Street Alliance  
Minority Veterans of America  
NAACP  
National Association for Latino Community Asset Builders

National Association of Consumer Advocates  
National Association of Consumer Bankruptcy Attorneys (NACBA)  
National Center for Law and Economic Justice  
National Community Reinvestment Coalition  
National Consumer Law Center (on behalf of its low income clients)  
National Consumers League  
National Fair Housing Alliance  
National Rural Social Work Caucus  
Public Citizen  
Public Good Law Center  
Public Justice  
United Church of Christ, Justice and Local Church Ministries  
U.S. PIRG  
Woodstock Institute

### **Alabama**

Alabama Appleseed Center for Law & Justice  
Alabama Arise  
Community Foundation of Greater Birmingham  
The Worship Center Christian Church

### **Alaska**

Alaska PIRG

### **Arizona**

Arizona PIRG  
Center for Economic Integrity  
Primavera Foundation  
Southwest Fair Housing Council  
Tucson Diocesan Council, The Society of St. Vincent de Paul  
Wildfire: Igniting Community Action to End Poverty in Arizona  
William E. Morris Institute for Justice (Arizona)

### **Arkansas**

Arkansans Against Abusive Payday Lending

### **California**

California Asset Building Coalition  
California Low-Income Consumer Coalition (CLICC)  
California Reinvestment Coalition  
CALPIRG

Consumer Federation of California  
HOPE for All: Helping Others Prosper Economically  
Public Counsel  
Public Law Center  
CAMEO - California Association for Micro Enterprise Opportunity

## **Colorado**

CoPIRG  
LaMedichi

## **Connecticut**

Connecticut Legal Services, Inc.  
ConnPIRG

Annie H. Harper, Program for Recovery and Community Health, Yale School of Medicine  
Jeffrey Gentes, George W. and Sadella D. Crawford Visiting Clinical Lecturer, Yale Law School  
Peter Kochenburger, University of Connecticut School of Law

## **Delaware**

Delaware Community Reinvestment Action Council, Inc.

## **District of Columbia**

Tzedek DC

Arthur E. Wilmarth, Jr, George Washington University Law School  
Gary Peller, Georgetown University Law Center

## **Florida**

Florida PIRG  
Jacksonville Area Legal Aid, Inc.

## **Georgia**

Georgia PIRG  
Georgia Watch

Mark Budnitz, Professor of Law Emeritus, Georgia State University College of Law

## **Hawaii**

Hawaii Appleseed Center for Law & Economic Justice

## **Idaho**

United Vision for Idaho

## **Illinois**

Catholic Conference of Illinois  
Chicago Urban League  
Housing Action Illinois  
Illinois Asset Building Group  
Illinois PIRG  
New America Chicago

Colonel Paul E. Kantwill, USA (Ret.), Founding Executive Director, The Rule of Law Institute,  
Loyola University Chicago School of Law

## **Indiana**

Citizens Action Coalition of IN  
Fair Housing Center of Central Indiana  
HomesteadCS  
Indiana Assets & Opportunities Network  
Indiana Catholic Conference  
Indiana Community Action Association, Inc.  
Indiana Institute for Working Families  
Indiana PIRG  
Indiana United Ways  
Lake Area United Way  
MCCOY (Marion County Commission on Youth, Inc.)  
Mother Hubbard's Cupboard  
Northwest Indiana Community Action  
Prosperity Indiana  
Thrive Alliance  
United Way of Allen County

## **Iowa**

Iowa PIRG

## **Kansas**

Andrea J. Boyack, Washburn University School of Law

## **Kentucky**

Kentucky Equal Justice Center

**Louisiana**

Louisiana Budget Project  
The Middleburg Institute

**Maine**

Maine Center for Economic Policy  
Maine Equal Justice

**Maryland**

CASH Campaign of Maryland  
Maryland Consumer Rights Coalition  
Maryland PIRG  
Public Justice Center

**Massachusetts**

Greater Boston Legal Services, on behalf of its low-income clients  
MASSPIRG  
The Consumer Assistance Council, Inc.

Kathleen Engel, Suffolk University Law School

**Michigan**

Community Economic Development Association of MI (CEDAM)  
PIRG in Michigan (PIRGIM)

**Minnesota**

Exodus Lending  
Minneapolis Area Synod, Evangelical Lutheran Church in America

**Mississippi**

Hope Policy Institute (Mississippi, Alabama, Arkansas, Tennessee, and Louisiana)

**Missouri**

Missouri Faith Voices  
MoPIRG

Karen Tokarz, Washington University Civil Rights, Community Development & Mediation Clinic

## **Montana**

MontPIRG

## **Nebraska**

CUES Fund  
Lending Link  
Nebraska Appleseed  
Voices for Children in Nebraska

## **Nevada**

Keith A. Rowley, UNLV School of Law

## **New Hampshire**

NHPIRG

## **New Jersey**

New Jersey Citizen Action  
NJPIRG

## **New Mexico**

Independent Order of Odd Fellows, Santa Fe Lodge #2  
New Mexico Center on Law & Poverty  
New Mexico Working Families Party  
NMPIRG  
Prosperity Works

Nathalie Martin, University of New Mexico School of Law

## **New York**

Empire Justice Center  
Fordham Law School Feerick Center for Social Justice  
Rural Law Center of New York, Inc.

Pamela Foohey, Benjamin N. Cardozo School of Law, Yeshiva University  
Susan Block-Lieb, Fordham Law School



## **North Carolina**

FIRST  
NCPIRG  
The Collaborative (NC)

Kate Sablosky Elengold, University of North Carolina School of Law

## **North Dakota**

High Plains Fair Housing Center

## **Ohio**

COHHIO  
Ohio PIRG  
Ohio Poverty Law Center

Cathy Lesser Mansfield, Case Western Reserve University School of Law  
Creola Johnson, Moritz College of Law, The Ohio State University

## **Oklahoma**

VOICE - OKC

## **Oregon**

Oregon PIRG (OSPIRG)

## **Pennsylvania**

PennPIRG  
Pennsylvania Council of Chapters, Military Officers Association of America (MOAA)  
Pennsylvania Council of Churches  
The One Less Foundation (Pennsylvania and Colorado)

James J. Pierson, Business Chair, MBA Program Director & Assistant Professor, Chatham  
University

## **Rhode Island**

Economic Progress Institute  
RIPIRG

## **South Carolina**

Columbia Consumer Education Council

CommunityWorks  
South Carolina Appleseed Legal Justice Center  
South Carolina Association for Community Economic Development (SCACED)

**South Dakota**

National Association of Social Workers, South Dakota Chapter

**Tennessee**

Indivisible Tennessee  
Tennessee Justice Center

**Texas**

Family Pathfinders  
RAISE Texas  
Texas Appleseed  
United Way of Central Texas  
United Ways of Texas  
TexPIRG

**Utah**

Christopher Peterson, University of Utah, S.J. Quinney College of Law

**Vermont**

Vermont PIRG

**Virginia**

Virginia Citizens Consumer Council  
Virginia Organizing

**Washington**

Statewide Poverty Action Network  
WASHPIRG

**West Virginia**

Covenant House  
Mountain State Justice  
National Association of Social Workers - West Virginia Chapter  
Rise Up WV  
WV Citizen Action

**Wisconsin**

WISPIRG

**Wyoming**

Wyoming Trial Lawyers Association