

Chairwoman Maxine Waters
U.S. House Committee on Financial Services
2221 Rayburn House Office Building
Washington, DC 20515

Ranking Member Patrick T. McHenry
U.S. House Committee on Financial Services
2004 Rayburn House Office Building
Washington, DC 20515

September 27, 2021

Re: Support for Veterans and Consumers Fair Credit Act

Dear Chairwoman Waters and Ranking Member McHenry,

The undersigned 221 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
Appleseed Foundation
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
Coalition on Human Needs
Communications Workers of America
Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces
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
League of United Latin American Citizens (LULAC)

Local Initiatives Support Corporation (LISC)
Main Street Alliance
Minority Veterans of America
NAACP
National Advocacy Center of the Sisters of the Good Shepherd
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 Foundation for Credit Counseling
National Housing Resource Center
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
Community Renewal
Fellowship Bible Church
Hope of Glory Center, Inc.
J17 Ministries
LULAC Council 1002
Pantano Christian Church
Primavera Foundation
Southwest Fair Housing Council

The Journey: An Evangelical Free Church
Tucson Collaborative for Neighborhood Transformation
Tucson Diocesan Council, The Society of St. Vincent de Paul
Vineyard Christian Community
Wildfire: Igniting Community Action to End Poverty in Arizona
William E. Morris Institute for Justice (Arizona)

Arkansas

Arkansans Against Abusive Payday Lending

California

CA Alliance for Consumer Education (CACE)
California Asset Building Coalition
California Low-Income Consumer Coalition (CLICC)
California Reinvestment Coalition
CALPIRG
Community Health Councils
Consumer Federation of California
HOPE for All: Helping Others Prosper Economically
Public Counsel
Public Law Center
CAMEO - California Association for Micro Enterprise Opportunity

Colorado

Bell Policy Center
CoPIRG
LaMedichi

Connecticut

Connecticut Legal Services, Inc.
ConnPIRG

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

Delaware

Delaware Community Reinvestment Action Council, Inc.

District of Columbia

RESULTS DC/MD
Tzedek DC

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

Florida

Florida Consumer Action Network
Florida PIRG
Jacksonville Area Legal Aid, Inc.
Legal Aid Society of Palm Beach County

Georgia

Georgia Advancing Communities Together, Inc.
Georgia PIRG
Georgia Watch
The New Georgia Project Action Fund

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
Financial Inclusion for All Illinois
Housing Action Illinois
Illinois PIRG
Legal Action Chicago
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
Hoosiers for Responsible Lending
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
Financial Hope Collaborative
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
NJ Appleseed PILC
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.

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

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

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

Oklahoma

VOICE - OKC

Oregon

Oregon PIRG (OSPIRG)
Oregon's Stop the Debt Trap Alliance

Pennsylvania

PennPIRG
Pennsylvania Council of Chapters, Military Officers Association of America (MOAA)
Pennsylvania Council of Churches
Regional Housing Legal Services
The One Less Foundation (Pennsylvania and Colorado)
Pennsylvania Utility Law Project, on behalf of our low income clients

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

Legal Aid Justice Center
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