The Leadership Conference on Civil and Human Rights

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OPPOSE H.R. 3299,
THE "PROTECTING CONSUMERS' ACCESS TO CREDIT ACT"

Dear Representative,

On behalf of The Leadership Conference on Civil and Human Rights, I urge you to oppose H.R. 3299, the "Protecting Consumers' Access to Credit Act of 2017." H.R. 3299 would allow payday lenders and other non-bank institutions to use "rent-a-bank" arrangements to evade state usury laws and make loans with interest rates in the triple digits, enabling the kind of "access to credit" that will drive low-income consumers into even deeper debt and do them more harm than good.

Non-bank lenders have attempted "rent-a-bank" arrangements to take advantage of the federal charters of banks, which allow federal preemption of state interest rate caps and other state consumer protection laws to charge interest rates that are far higher than legally permissible for nonbanks in some states. Under these arrangements, banks effectively "rent" their federal charter powers to non-bank lenders, in exchange for a fee associated with each loan.

These arrangements have typically been shut down by federal regulators. But H.R. 3299 would make it easier for these schemes to thrive. It would enable predatory actors, such as payday lenders, to make loans at a 300 percent annual interest rate or higher, even if the state has a cap on interest rates or prohibits payday lending altogether. The potential costs and damage to consumers is significant, especially for borrowers of color, as research shows that payday lenders disproportionately target communities of color and trap consumers in unsustainable cycles of borrowing and reborrowing high-cost loans. Rather than improving the financial lives of consumers, the damaging effects of this kind of "access to credit" only results in debt traps that strip away the chance for families to get on top of their finances and that further widen the racial wealth gap.

Communities of color have historically been disproportionately excluded from the traditional banking system, a disparity that persists today. According to the FDIC, about 18 percent of African American and 16 percent of Latino households are unbanked, compared to 3 percent of white households. Among underbanked households, payday loans frequently cause borrowers to lose their bank accounts, driving families out of the banking system altogether and exacerbating the disparities that already exist. The high cost of payday loans makes individuals more likely to become delinquent on other bills, get evicted, file for bankruptcy, and delay medical care.

Instead of making credit more affordable or sustainable, H.R. 3299 would only make it "easier" – and our nation's disastrous experience with mortgage lending in the 2000s shows what can happen when state consumer protection laws are preempted in the name of easy "access to credit" for consumers who cannot realistically afford it. Civil rights and consumer advocacy organizations strongly opposed the preemption of state anti-predatory lending laws then, and we urge lawmakers to not go down that road again.

For these reasons, I urge you to oppose H.R. 3299. Thank you for your consideration. If you have any questions, please feel free to contact Senior Counsel Rob Randhava at (202) 466-3311.

Sincerely,

Vanita Gupta
President & CEO