

March 24, 2015

The Honorable Richard J. Durbin
711 Hart Senate Building
Washington, DC 20510

Re: Protecting Consumers from Unreasonable Credit Rates

Dear Senator Durbin:

Thank you for introducing the “Protecting Consumers from Unreasonable Credit Rates Act,” which would extend the 36 percent usury APR cap for military families enacted in the Military Lending Act of 2006 to all consumers. A fair rate cap will protect consumers and curb abuses in the high-cost small dollar loan market. The 36 percent rate cap set by your legislation would permit responsible lending to consumers with less-than-perfect credit while restraining harmful terms. A strong rate cap has strong public support. In a recent bi-partisan poll, 79 percent of the public supported capping interest rates that payday lenders can charge.

Currently, consumers pay triple-digit rates for car title and payday loans (including those offered at traditional storefronts, online, and by banks). A large body of research has demonstrated that these products are structured to create a long-term debt trap that drains consumers' bank accounts and cause significant financial harm. Indeed, the lack of underwriting, high fees and access to a borrower's car title or checking account as collateral enable lenders to repeatedly flip borrowers from one loan to another. A large portion of borrowers eventually default, but often not before paying hundreds or even thousands in fees. A properly structured federal usury cap puts all creditors on a level playing field without undermining any additional consumer protections in the states.

Although many states cap rates for some forms of credit, banks can undermine these protections by exporting their weak home-state limits on credit costs to other states across the country. It is vitally important for Congress to set the outside limit on the cost-of-credit to curb abusive lending.

We enthusiastically support the Protecting Consumers from Unreasonable Credit Rates Act. For more information, please contact Gynnie Robnett, payday lending reform campaign director, Americans for Financial Reform at (202) 466-5671 or gynnie@ourfinancialsecurity.org.

Sincerely,

National Signatories

Americans for Financial Reform
Association for Enterprise Opportunity
Center for Popular Democracy
Center for Responsible Lending
Coalition of Community Development Financial Institutions
Consumer Action

Consumer Federation of America
Consumers for Auto Reliability and Safety
Consumers Union
LULAC National
NAACP
National Association of Consumer Advocates
National Community Reinvestment Coalition (NCRC)
National People's Action
PICO National Network
Public Citizen
U.S. PIRG

State and Local Signatories

Alabama Applesed Center for Law & Justice, AL
Alabama Possible, AL
Birmingham Faith in Action, AL
Community Foundation of Greater Birmingham, AL
Dean Education Services, AL
Gateway Financial Freedom, AL
Justice Issues Forum, AL
Tuscaloosa Citizens Against Predatory Practices, AL
Arkansans Against Abusive Payday Lending, AR
Arizona Community Action Association, AZ
AZ Coalition to End Homelessness, AZ
Center for Economic Integrity - Arizona Office, AZ
Community Action Human Resources Agency, AZ
NACOG, AZ
Bethany Inner City Church, CA
California Reinvestment Coalition, CA
Community HousingWorks, CA
Dreams for Change, CA
FPU Center for Community Transformation, CA
Fresno Community Development Financial Institution, CA
Fresno Economic Opportunities Commission, CA
Mission Asset Fund (MAF), CA
Montebello Housing Development Corporation, CA
New Economics for Women, CA
Nuestra Casa de East Palo Alto, CA
Opportunity Fund, CA
Santa Clara County Democratic Party, CA
The Well Community Church, CA
United Way Silicon Valley, CA
Women's Business Center, California Capital FDC, CA
Working Partnerships USA, CA
Colorado Progressive Coalition, CO
Connecticut Association for Human Services, CT

Florida Alliance for Consumer Protection, FL
Citizen Action Illinois, IL
Illinois Peoples Action, IL
Monsignor John Egan Campaign for Payday Loan Reform, IL
Woodstock Institute, IL
Indiana Assets & Opportunity Network, IN
Indiana Association for Economic Development, IN
Jennings County United Way, IN
Milestone Ventures, Inc., IN
Pathfinder Services, Inc., IN
Sunflower Community Action, KS
Kentucky Equal Justice Center, KY
Louisiana Budget Project, LA
Maryland Consumer Rights Coalition, MD
Maine Center of Economy Policy, ME
GRO - Grass Roots Organizing, MO
New Jersey Citizen Action, NJ
Center for Economic Integrity - New Mexico Office, NM
Progressive Leadership Alliance of Nevada, NV
Policy Matters Ohio, OH
NeighborWorks Blackstone River Valley, RI
RI Payday Lending Reform Coalition, RI
SC Appleseed Legal Justice Center, SC
Crossroads Urban Center, UT
Virginia Citizens Consumer Council, VA
Virginia Poverty Law Center, VA
Washington Statewide Poverty Action Network, WA