

NCLC Advocates Applaud 36% National Rate Cap Bill to Curb High-Cost, Predatory Loans Across the Nation

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Washington, D.C. – Attorneys at the National Consumer Law Center praised the introduction yesterday of the Veterans and Consumers Fair Credit Act in the U.S. Senate, led by U.S. Senators Jack Reed (D-RI), Jeff Merkley (D-OR), Sherrod Brown (D-OH), and Chris Van Hollen (D-MD), along with seven other original co-sponsors.

“Interest rate limits are the simplest, most effective way to stop predatory lending and to ensure that lenders make responsible loans that people can afford to repay without getting caught in a debt trap,” **said National Consumer Law Center Associate Director Lauren Saunders.** “A national 36% interest rate cap that covers all lenders, including banks, and all borrowers, including veterans and other consumers, will prevent predatory lenders from evading state interest rate limits and give everyone the same protections that our active military families already enjoy. The 36% interest rate limit is the broadly accepted dividing line between responsible lending and destructive credit that harms lives and destroys financial inclusion.”

The Veterans and Consumers Fair Credit Act would eliminate high-cost, predatory payday loans, auto-title loans, and similar forms of toxic credit across the nation by:

- Establishing a simple, common sense limit that is broadly supported by the public on a bipartisan basis.
- Preventing hidden fees and loopholes.
- Simplifying compliance by adopting a standard that lenders already understand and use.
- Upholding the ability of states to adopt stronger protections as needed, such as lower rates for larger loans.

The Veterans and Consumers Fair Credit Act extends the federal Military Lending Act’s (MLA) 36% interest rate cap on consumer loans to all Americans, including veterans and Gold Star Families

Polling data show that voters across the political spectrum strongly support interest rate limits. Many states already have a reasonable rate cap. For example, in November 2020, 83% of Nebraska voters approved a 36% interest rate limit. Similar strong bipartisan majorities of voters or legislatures in recent years have approved 36% or lower rate caps in many other states, including Arkansas, Arizona, Illinois, Colorado, Montana, and Ohio, but some lenders are evading those laws through rent-a-bank schemes. Currently, 32 states and the District of Columbia impose an interest rate limit of 36% or less on a \$2,000, 2-year installment loan, though some have loopholes for short-term payday loans or other types of loans.

Related NCLC Resources

> Why 36%? The History, Use, and Purpose of the 36% Interest Rate Cap, April 2013

> State Rate Caps for \$500 and \$2,000 Loans, March 2021

> After Payday Loans: How Do Consumers Fare When States Restrict High Cost Loans?, October 2018