

Advocates Applaud Senate Repeal of National Banking Regulator's Predatory Lending Rule; Urge the House to Act Soon

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Washington, D.C. – In a 52 – 47 vote tonight, the U.S. Senate voted to overturn the OCC's "fake lender" rule, which allows predatory lenders to evade state interest rate laws by putting a bank's name on the paperwork. S.J. Res. 15, a resolution under the Congressional Review Act (CRA), was introduced by Senators Chris Van Hollen (D-MD) and Sherrod Brown (D-OH). Rep. "Chuy" García introduced a parallel resolution, H.J. Res. 35, in the U.S. House of Representatives. Now that the Senate approved the resolution, the House has until the end of this legislative session to vote on it.

Advocates applauded the Senate vote and urged the House to act quickly to prevent a massive expansion of predatory lending in all 50 states. In a bipartisan vote, Republican Senators Cynthia Lummis (R-WY), Susan Collins (R-ME), Marco Rubio (R-FL) joined with Democrats to protect small businesses, veterans, and consumers across the nation being devastated by the fake lender rule.

"The bipartisan vote in the Senate shows the importance of repealing the OCC fake lender rule now because it is doing active harm *right now*, defending a predatory business model that destroys small businesses, homes, and lives," **said National Consumer Law Center Associate Director Lauren Saunders.** "Congress must act because it could easily be two years or more before the rule could be repealed through rulemaking, and small business and families devastated by COVID, especially in Black and Brown communities, cannot wait."

Predatory small business lenders are using the fake lender rule today to defend a 268% APR rate on loans totaling \$67,000 to a restaurant owner in New York, where the criminal usury rate is 25%, secured by property in New Jersey, where the legal limit is 30%. OppLoans (aka OppFi), an online lender offering 160% APR loans in 26 states that prohibit triple-digit rate loans, cited the OCC's fake lender rule in defense of its loan to a disabled veteran in California, where the legal rate on the loan is 24%. OppLoans is evading state rate cap laws supported by broad majorities of voters in Arizona, Montana, Nebraska, and South Dakota; and also laws approved by legislatures in Maine, Ohio, and other states.

"Veterans are being harmed by evasive and predatory rent-a-bank loans, which is why groups like the Military Officers Association of America, Blue Star Families, and Veterans for Education Success support overturning the fake lender rule. Today's Senate vote shows that predatory lending is not a partisan issue, as Military and Veteran Service Organizations (MSO/VSOs) have been saying for years," **said Mike Saunders, director of military and consumer policy for Veterans for Education Success.**

"Today's Senate vote to overturn the fake lender rule shows bipartisan disapproval of the harmful

rent-a-bank model that is being used by predatory payday and installment lenders to make triple-digit interest rate loans that are illegal across the country,” **said Rachel Gittleman, financial services outreach manager with Consumer Federation of America.** “Now, the U.S. House of Representatives must act to protect consumers, especially small business owners, still reeling from the fallout from the COVID-19 pandemic.”

“The U.S. Senate, on a bipartisan basis, voted to curb the spread of predatory loans. The House should do the same without delay and regulators should crack down on these rent-a-bank schemes,” **said Graciela Aponte-Diaz, director of federal campaigns at the Center for Responsible Lending.**

A broad, bipartisan cross-section of experts and officials have called on Congress to repeal the fake lender rule. They include a bipartisan group of 25 state attorneys general, concerned it would effectively gut their state usury laws. The Conference of State Bank Supervisors, National Association of Consumer Credit Administrators, National Association of Federally-Insured Credit Unions and many other groups also support Congress overturning the rule.

“This bipartisan vote to roll back the OCC’s approval of rent-a-bank schemes reflects widespread support from voters for reigning in predatory lenders,” said **Linda Jun, senior policy counsel for Americans for Financial Reform.** “The Senate has agreed that lenders charging triple-digit interest rates should not be allowed to trap vulnerable people in debt with loans that violate state laws. The House must now move swiftly to join the Senate and prevent any more rent-a-bank schemes from taking root in the 45 states that cap or otherwise regulate interest rates.”

The regulation also runs counter to the widespread goal of rebuilding the economy as we emerge from the pandemic.