

Consumer Advocates: New Rule from FDIC on Industrial Loan Companies is a Gift to Predatory Lenders

FOR IMMEDIATE RELEASE: December 15, 2020

Press Contacts

Center for Responsible Lending: Matthew Kravitz, matthew.kravitz@responsiblelending.org

National Consumer Law Center: Jan Kruse, jkruse@nclc.org

FDIC rule makes it easier for lenders to exploit more financially vulnerable families

WASHINGTON, D.C. – Today, the Federal Deposit Insurance Corporation (FDIC) approved a new final rule to facilitate chartering additional under-regulated Industrial Loan Companies (ILCs). The FDIC rule will encourage non-bank companies to acquire banks or seek ILC charters for their subsidiaries that enable those ILCs to preempt state consumer protection laws, including interest rate caps, without the federal oversight of the parent company required for traditional banks. The FDIC is already ignoring rent-a-bank schemes where non-bank lenders piggyback off ILC and traditional bank charters to issue loans of around 100% APR and higher.

“By approving new ILC charters, the FDIC will make life even tougher for people who are already financially strapped in this economic downturn. The predatory, high-cost loans this rule will facilitate will push them deeper into debt and exacerbate, rather than alleviate, existing racial and economic inequities,” **said Rebecca Borné, senior policy counsel at the Center for Responsible Lending (CRL).**

“The ILC charter makes it easier for companies to get the benefits of federal preemption without the full supervision that traditional banks receive, making it no surprise that ILCs were heavily involved in the predatory subprime mortgage crisis and are today involved with predatory rent-a-bank lending. The FDIC’s rule should be reversed and deposit insurance should only be approved for banks that are properly regulated,” **said Lauren Saunders, associate director at the National Consumer Law Center (NCLC).**

Additional Background

In July, CRL and NCLC along with civil rights and consumer groups, submitted comment letters to the FDIC opposing the proposed ILC rule. Also that month, CRL sent a letter with banking groups, the Bank Policy Institute and Independent Community Bankers of America, that urged Congress to impose a moratorium on industrial loan company licensing applications.

This linked two-page CRL brief further explains why a moratorium is needed.

The National Consumer Law Center maintains a “High-Cost Rent-A-Bank Watch List” showing several examples of lenders evading state interest rate caps.